

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5248  
**COMPANY NAME** : BERMAZ AUTO BERHAD  
**FINANCIAL YEAR** : April 30, 2018

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

### Intended Outcome

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

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the performance and affairs of the Group and the provision of leadership and guidance for setting the strategic direction of the Group.</p> <p>The Board has in place a Mission and Vision Statement which sets out the primary goals and purposes of the Company and to provide a roadmap for the employees to achieve the objectives.</p> <p>The Board is also committed to instill good ethics and values amongst its members and its employees in tandem with its Mission and Vision Statement through its core values of Honesty, Integrity, Commitment, Loyalty and Humanity. This is clearly reflected through the adoption of a Code of Ethics for Directors, a Code of Conduct for employees and a Whistleblowing Policy. The Board believes that the success of the Group's business should be built based on these foundations.</p> <p>In order to realise the Vision and Mission of the Company, the Board as a whole, led by the Chairman, works together with Senior Management to promote good corporate culture and behaviour within the Company that is ethical, prudent and professional.</p> <p>The duties and powers of the Board are governed by the Constitution of the Company, the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other regulatory requirements that are in force.</p> <p>All members of the Board are aware of their responsibility to make decisions objectively and which promote the success of the Group for the benefits of shareholders and other stakeholders. The roles and responsibilities of the Board which are set out in the Board Charter, serves as a reference point for Board activities. The Board Charter is available on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p> <p>To ensure the fine tuning of the Group's corporate strategies and the effective execution of these strategies, the Board has delegated to the Chief Executive Officer ("CEO") the daily</p>

	<p>management of the Group’s affairs. The CEO is assisted by an Executive Director (“ED”) in such matters. The CEO leads the senior management of the Group in making, implementing and managing the day-to-day decisions of the business operations, the Group’s resources and the associated risks involved in pursuing the Group’s corporate objectives.</p> <p>The CEO, ED and management meet regularly to review and monitor the performance of the Group’s operations. The CEO briefs the Board on the Group’s business operations and management’s initiatives during its quarterly Board meetings.</p> <p>Independent Non-Executive Directors are not involved in the daily management of the Group but contribute their own particular expertise and experience in the development of the Group’s overall business strategy. Their participation as members of the various Board Committees also contributed to the enhancement of corporate governance and controls of the Group.</p> <p>The Board has established and is supported by the following Board Committees which consist of a majority of Independent Non-Executive Directors to provide independent overights on management and to ensure that there are appropriate checks and balances while discharging its oversight function: -</p> <ul style="list-style-type: none"> <li>(i) Audit Committee;</li> <li>(ii) Nomination Committee;</li> <li>(iii) Remuneration Committee;</li> <li>(iv) Risk Management Committee;</li> <li>(v) Employees’ Share Option Committee; and</li> <li>(vi) Sustainability Working Committee.</li> </ul> <p>Each of the Board Committee operates within its respective Terms of Reference (“TOR”) that also outlines its respective functions and authorities. The TOR of the respective Board Committee are periodically reviewed by the Board Committee and approved by the Board to ensure that the TOR remains relevant and adequate in governing the responsibilities of the Committees and reflects the latest developments in the Main Market Listing Requirements of Bursa Securities and the Malaysian Code on Corporate Governance (“MCCG”). These Board Committees have the authority to report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters still lies with the Board.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### Intended Outcome

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

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The present Chairman of the Board is Dato' Syed Ariff Fadzillah Bin Syed Awalluddin who is responsible for providing leadership to the Board and ensuring smooth and effective functioning of the Board.</p> <p>The Chairman is elected by the Board and will preside at all Board meetings and general meetings of the Company. The Chairman will ensure that procedural rules are followed in the conduct of meetings and that decisions made are formally recorded and adopted.</p> <p>The Chairman contributes his expertise and experience in leading the Board in the determination of the Company's strategies and policies so that the Board can perform their responsibilities effectively. The Chairman also encourages active participation and healthy discussion at meeting to ensure that dissenting views can be freely expressed and discussed. In addition, the Chairman also leads the Board in establishing and monitoring good corporate governance practices in the Company.</p> <p>The other roles and responsibilities of the Chairman of the Board is set out in the Board Charter which is available on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of Chairman and CEO are held by two different individuals. The distinct and separate roles of the Chairman and CEO with their clear division of responsibilities ensures that there is a balance of power and authority, such that no individual has unfettered decision-making powers.</p> <p>The Chairman, Dato' Syed Ariff Fadzillah Bin Syed Awalluddin is responsible for providing leadership to the Board and ensuring the smooth and effective functioning of the Board whereas the CEO, Dato' Sri Yeoh Choon San is responsible for overseeing the day-to-day management of the Group's businesses and implementing Board's policies and decisions.</p> <p>Their key roles and responsibilities are set out in the Board Charter of the Company, which is available on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by the Company Secretaries who are qualified to act as Company Secretary as prescribed under Section 235(2) of the Companies Act, 2016 and has the requisite experience and competency in company secretarial services. Both Company Secretaries are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Company Secretaries play an important role in good governance by helping the Board and the Board Committees to function effectively and in accordance with their terms of reference and best practices.</p> <p>The Company Secretaries also play an advisory role to the Board in relation to the Company's Memorandum and Articles of Association and advises the Board on its roles and responsibilities and keep the Board updated on matters relating to new statutory and relevant regulatory requirements and corporate governance and the resultant implications of any changes therein to the Company and the Directors in relation to their duties and responsibilities.</p> <p>The Company Secretaries organize and attend all Board Meetings and the meetings of the Board Committees where they act as Secretaries and are responsible to ensure that meetings are properly convened and accurate and proper records of the proceedings and resolutions passed are minuted and maintained at the registered office of the Company.</p> <p>The Company Secretaries have also been attending the necessary training programmes, conferences, seminars and/or forums so as to keep themselves abreast with the current regulatory changes in laws and relevant regulatory requirements and corporate governance and to be able to provide the relevant advisory role to the Board.</p> <p>The roles and responsibilities of the Company Secretaries are also set out in the Board Charter which is available on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All Directors have full access to information through the Board papers distributed in a timely manner prior to the Board meetings. The Board papers provide, among others, periodic financial information, operational issues, regulatory compliance matters, investment proposals and management proposals that require Board's approval.</p> <p>Board and Board Committees papers are disseminated at least five (5) days prior to the meeting as stated in the Board Charter, except for meetings called on an ad-hoc basis for special matters. This is to enable the Directors to have an overview of the matters to be discussed or reviewed at the meetings and to seek further clarifications, if any.</p> <p>The Directors are also provided with electronic devices, i.e. an iPad for a more efficient communication and dissemination of the Board Papers.</p> <p>The Senior Management, external advisers and the Directors of the Company's subsidiary were invited to attend the Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures set out in the Board Charter in furtherance of their duties.</p> <p>All deliberations and decisions of the Board and Board Committees are recorded by the Company Secretaries including disclosures of interests by any interested Directors and their abstention from voting and deliberating on a particular transaction. Minutes of meetings would be circulated to all Directors on a timely basis for review and thereafter for confirmation at next meeting of the Board and Board Committees.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a Board Charter which clearly sets out the roles and responsibilities of the Board, Board Committees and individual Directors in promoting the standards of corporate governance and practices. In addition, there is also a formal schedule of matters reserved for the Board's deliberation and decision as set out in the Board Charter to ensure that the direction and control of the Company are in the hands of the Board.</p> <p>The Board Charter is subject to review by the Board annually to ensure it remains consistent with the Board's objectives and responsibilities, current laws and practices.</p> <p>The revised Board Charter was recently reviewed and approved by the Board on 12 March 2018 so as to be in line with the MCGG.</p> <p>A copy of the latest Board Charter is available on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a Code of Conduct and Business Ethics ("Code") which provides the ground rules and guidance for proper standard of conduct and ethical behaviour for all Directors and employees of the Group when dealing with both internal and external parties and compliance with all applicable laws, rules and regulations in all its business activities.</p> <p>The Code covers, amongst others, the policies and procedures in managing conflicts of interest, preventing the abuse of power, corruption, insider trading, money laundering and unethical conduct or violation of laws, rules and regulations.</p> <p>The Board has also adopted a Code of Ethics for Directors which is incorporated in the Board Charter. The Code of Ethics was formulated to enhance the standard of corporate governance and promote ethical conduct of the Directors.</p> <p>The Company's Code of Conduct and Ethics is available on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised a Whistleblowing Policy which serves as an internal communication channel in relation to whistleblowing at work place and to enable employees or the relevant parties to raise genuine concerns, disclose alleged, suspected or actual wrongdoings or known improper conduct on a confidential basis and pursuant to the Malaysian Whistleblower Protection Act 2010 or other similar law prevailing in other countries where the subsidiary companies are located, without fear of any form of victimization, harassment, retribution or retaliation.</p> <p>The Whistleblowing Policy provides contact details of the Chief Executive Officer, Group Human Resource and Head of Corporate Planning/Internal Controls of the Company as the avenue for the employees or relevant parties to raise concerns of non-compliance to them.</p> <p>The Whistleblowing Policy can be accessed on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board currently has seven (7) members comprising five (5) Independent Non-Executive Directors including the Chairman of the Board (“INED”), the Chief Executive Officer and one (1) Executive Director.</p> <p>The present composition of the Board is in compliance with Chapter 15.02 of the Main Market Listing Requirements of Bursa Securities, that is at least 2 or 1/3 of the Board of Directors, whichever is the higher, are Independent Directors. The Company is categorised as a Large Company and the present composition of the Board is also in compliance with the requirements under Practice 4.1 of the MCCG, that is, the Board of a Large Company should have a majority of Independent Directors.</p> <p>The independence of each Director is reviewed by the Nomination Committee on an annual basis. All the five (5) INEDs have satisfied the independence criteria as defined under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Securities and they are able to continue to demonstrate their independent judgement and objectivity in the Board’s decision-making process. They form 71% of the Board members.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Not Applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	None of the tenure of Independent Directors has exceeded a cumulative term of 9 years.  Dato' Syed Ariff Fadzillah Bin Syed Awalluddin, Dato' Abdul Manap Bin Abd Wahab and Mr Loh Chen Peng were appointed as Independent Directors on 27 July 2011. Datuk Syed Hisham Bin Syed Wazir was appointed as Independent Director on 19 December 2016 while Dato' Kalsom Binti Abd. Rahman was appointed as Independent Director on 2 April 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	Not Applicable

### 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board recognises the importance of boardroom diversity and values the benefits that diversity can bring to its board of directors.</p> <p>The Board also recognises that having a range of different skills, backgrounds, experience and diversity is essential to ensure a broad range of viewpoints to facilitate optimal decision making and effective governance.</p> <p>The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria of a Director is based on an effective blend of competencies, skills, extensive experience and knowledge so as to strengthen the Board.</p> <p>The Nomination Committee (“NC”) was tasked with the responsibility for identifying, assessing and recommending the right candidates to the Board as well as reviewing and assessing the composition and performance of the Board. In making its recommendations, the NC will consider, among others, the following selection criteria:-</p> <ul style="list-style-type: none"><li>(a) Specific knowledge, skills and relevant working experience (capability);</li><li>(b) Training and qualifications (competence);</li><li>(c) Time commitment of the candidate;</li><li>(d) Independence and any conflicts of interest;</li><li>(e) External directorship of the candidate;</li><li>(f) Probity, integrity and reputation; and</li><li>(g) Other considerations include age, ethnicity and gender.</li></ul> <p>The selection criteria for the recruitment process and annual assessment of Directors are contained in the Terms of Reference of the Nomination Committee which is available on the Company’s website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p> <p>When identifying suitable candidates for appointment or assessing Board composition, the NC will consider candidates on merit against objective criteria and with due regard on the benefits of diversity on the Board and the needs of the Board in order to maintain an optimum mix of skills, knowledge and experience of the Board members.</p> <p>The Board has in place a Board Diversity Policy and it is available on the Company’s website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>

	<p>The appointment of Senior Management will be delegated to the Company's Head of Human Resource and they will focus on the working experience, skills, competencies, integrity and commitment in the assessment of any potential candidate for recruitment as Senior Management personnel before recommending them to the Chief Executive Officer of the Company for consideration, approval and recruitment.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board acknowledges the importance of boardroom diversity in terms of age, gender, nationality, ethnicity and recognises the benefits of this diversity.</p> <p>The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria of a Director, based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board, should remain a priority. Thus, the Company does not set any specific target for boardroom diversity but will continuously strive to meet the targets for gender diversity requirements and will actively take the necessary measures towards promoting a corporate culture that embraces gender diversity in the boardroom.</p> <p>The Board has appointed one (1) female board member, namely Dato' Kalsom Binti Abd Rahman as a Director of the Company on 2 April 2018 and she represents about 14% of the composition of the Board.</p>
<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 Nomination Committee will constantly source for suitable and qualified female Directors with the aim of achieving a representation of at least 30% women on the Board, to be in line with the MCCG.
<b>Timeframe</b>	:	Within 3 to 5 years

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board delegates to the Nomination Committee the responsibility of recommending the appointment of any new Director. The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous and that appointments are made on merits.</p> <p>The Board and Nomination Committee are guided by the following process and procedures for the appointment of a new director:-</p> <ol style="list-style-type: none"><li>1. The candidate is identified upon the recommendation by the existing Directors, Senior Management, major shareholders and/or other independent source such as external consultants;</li><li>2. In evaluating the suitability of candidates to the Board, the Nomination Committee considers, inter-alia, the competency, experience, commitment, contribution and integrity of the candidates, and in the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independence;</li><li>3. Recommendation to be made by Nomination Committee to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and</li><li>4. Decision to be made by the Board on the proposed new appointment, including appointment to the various Board committees.</li></ol>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	As and when required

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Terms of Reference of Nomination Committee (“NC”) has stipulated that the Committee shall have at least three (3) members, all of whom shall be non-executive directors with the majority being independent directors. The Chairman of the Committee shall be an independent director or a senior independent director.</p> <p>The NC members currently comprises exclusively of Independent Non-Executive Directors, namely Dato’ Syed Ariff Fadzillah Bin Syed Awalluddin, Dato’ Abdul Manap Bin Abd Wahab and Loh Chen Peng. The Chairman of the NC is Dato’ Syed Ariff Fadzillah Bin Syed Awalluddin and he has also been designated as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.</p> <p>The roles and responsibilities of the Senior Independent Director are set out in the Board Charter, which is available on the Company’s website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is entrusted by the Board to annually review the effectiveness of the Board and Board Committees as well as the performance of individual directors.</p> <p>The annual evaluation which is internally facilitated, involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and areas where improvements could be considered. The criteria for the evaluation are guided by the Corporate Governance Guide issued by Bursa Securities. The evaluation process also involves a peer and self-review assessment, where each Director will assess their own performance and that of their fellow Directors.</p> <p>The outcome of the assessments and comments by all Directors were summarised and discussed at the Nomination Committee meeting which were then reported to the Board at the Board meeting held thereafter. All assessments and evaluations carried out by the Nomination Committee in the discharge of its duties are properly documented.</p> <p>During the financial year ended 30 April 2018, the Nomination Committee carried out the following activities:-</p> <ul style="list-style-type: none"><li>• reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;</li><li>• reviewed and assessed the performance of each individual Director; independence of the Independent Directors; effectiveness of the Board and the Board Committees;</li><li>• recommend Directors who are retiring and being eligible for re-election and/or re-appointment;</li><li>• reviewed the performance of the Audit Committee and its members;</li><li>• reviewed the Board Diversity Policy; and</li><li>• recommended to the Board, the appointment of Dato' Kalsom Binti Abd. Rahman as an Independent Non-Executive Director of the Company.</li></ul> <p>Based on the results of the evaluation for the financial year ended 30 April 2018, the Board was satisfied with the performance of the Board as a whole, the individual Directors and the Board Committees for the said financial year.</p>

	The Board took cognizance of Practice 5.1 of the MCCG and will at the appropriate time, engage independent experts to facilitate the annual board evaluations.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalized a Remuneration Policy that supports the Directors and key senior management in carrying out their responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value.</p> <p>The Company's objective in this respect is to offer a remuneration package that is competitive to attract, develop and retain talented individuals to serve as Directors and key senior management.</p> <p>The Remuneration Committee is entrusted by the Board to review and recommend matters relating to the remuneration of Directors and key senior management.</p> <p>The remuneration package for the Executive Director depends on the performance of the Company during the financial year and includes amongst other, the performance in terms of revenue and pre-tax profit. The Chief Executive Officer receives a contractual incentive of 8% of pre-tax profit of the Group subject to a cap of RM2.0 million a year, as determined by the Board of Directors and the Remuneration Committee.</p> <p>The Executive Director concerned shall not participate in the decision of his own remuneration. However, in event where the presence of Executive Director is required, the Chairman of the Remuneration Committee may invite the Executive Director to attend to such meeting.</p> <p>The remuneration packages of Non-Executive Directors who serve on the Board and Board Committees is reviewed by the Remuneration Committee annually and thereafter recommend to the Board for their consideration with the Director concerned abstaining from deliberations and voting on decision in respect of his/her individual remuneration package. The Board will then recommend the payment of the yearly Directors' fees and other benefits payable to Non-Executive Directors to the shareholders for approval at each Annual General Meeting of the Company in accordance with Section 230 (1) of the Companies Act 2016.</p>

	<p>The remuneration package of senior management is reviewed annually during Company's annual performance review to reflect the level of responsibilities, and contributions made in order to retain high performing and talented individuals.</p> <p>The Remuneration Policy of the Company is available on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

### 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has in place a Remuneration Committee ("RC") which comprises three (3) members namely Dato' Abdul Manap Bin Abd Wahab, Mr Loh Chen Peng and Datuk Syed Hisham Bin Syed Wazir. All of them are Independent Non-Executive Directors of the Company.</p> <p>The primary function of the RC is to set up policy framework, including the fee structure and level of remuneration for Directors and key senior management.</p> <p>The RC of the Company held a meeting on 12 March 2018 and carried out the following activities:-</p> <ul style="list-style-type: none"><li>(a) Reviewed the terms of reference of Remuneration Committee;and</li><li>(b) Reviewed and recommended the proposed revision of the salary of the Executive Directors of its wholly owned subsidiary, namely Bermaz Motor Sdn Bhd.</li></ul> <p>The RC also had another meeting on 12 June 2018 and carried out the following activities:-</p> <ul style="list-style-type: none"><li>(a) Reviewed and recommended the payment of Directors' fees for the financial year ended 30 April 2018;</li><li>(b) Reviewed and recommended the payment of Directors' remuneration (excluding Directors' fees) for the period from 4 October 2018 until the next Annual General Meeting of the Company to be held in 2019; and</li><li>(c) Reviewed and recommended the adoption of Remuneration Policy.</li></ul> <p>The Board had on 12 June 2018 adopted a Remuneration Policy to support the Directors and key senior management in carrying out their responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's objective in this respect is to offer a competitive remuneration package in order to attract, motivate, retain and reward Directors and key senior management who will manage and drive the Company's success.</p> <p>The duties and responsibilities of the RC are governed by its Terms of Reference, which is available on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</p>

<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<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>	:	<p>The details of the Directors' Remuneration on named basis for the remuneration of each Director paid by the Company and its wholly owned subsidiary, namely Bermaz Motor Sdn Bhd during the financial year ended 30 April 2018 are disclosed in the Corporate Governance Overview Statement in the Company's 2018 Annual Report.</p> <p>The remuneration breakdown of individual Directors includes fees, salary, bonus, benefits in-kind and other emoluments.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<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 7.2

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>	:	<p>Disclosure on the remuneration of top five (5) Key Senior Management in the bands of RM50,000 is provided in the Corporate Governance Overview Statement in the Company's 2018 Annual Report.</p> <p>The Board is of the view that the disclosure of Senior Management's remuneration on a named basis with various components will not be in the best interest of the Group, as it will give rise to recruitment and talent retention issues and may lead to the performing Senior Management staff being lured away by the competitors and hence, the Group may lose high calibre personnel who have been contributing to the Group's performance.</p> <p>Currently, the remuneration package of Senior Management is reviewed annually during the Company's annual performance review and measured against the targets set for the year.</p> <p>The Board will ensure that the remuneration for the Senior Management personnel commensurate with their performance in order to attract, retain and motivate them to contribute positively to the Group's performance.</p>
<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 will closely monitor any changes in the market practice and will review its response to Practice 7.2 annually.
<b>Timeframe</b>	:	Other

**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>	:	Not Applicable

**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>	:	<p>The Audit Committee ("AC") comprises four (4) members, all of whom are Independent Non-Executive Directors ("INEDs").</p> <p>The AC Chairman is led by Mr Loh Chen Peng and he is a member of the Malaysian Institute of Certified Public Accountants (MICPA). He is not the Chairman of the Board.</p> <p>The Terms of Reference of the AC has been revised on 12 March 2018 in order to be in line with Practice 8.1 of the MCGG which stipulates that the Chairman of the AC is distinct from the Chairman of the Board.</p> <p>The duties and responsibilities of the Chairman of the AC are set out in the Terms of Reference of the AC, which is available on the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a>.</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**

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee has adopted an External Auditor Policy on 12 March 2018 to reflect the requirements in Practice 8.2 of the MCCG.</p> <p>The External Auditor Policy has encapsulated the requirement for a cooling-off period of at least two (2) years for any former key audit partner and other team members prior to any one of them being considered for appointment as a member of the AC or as a Director. This is to safeguard the independence and objectivity of the appointment of the Audit Committee members.</p> <p>The Terms of Reference of the Audit Committee had been revised and adopted by the Board on 12 March 2018 to include the additional requirement for a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.</p> <p>Currently, none of the Audit Committee member is a former key audit partner of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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 Audit Committee ("AC") is responsible to review, assess and monitor the performance, suitability, objectivity and independence of External Auditors on an annual basis.</p> <p>The AC has on 12 March 2018 adopted an External Auditors Policy ("EA Policy") which governed the assessment and monitoring of the External Auditors so that the External Auditors' competence, objectivity, professionalism and independence are maintained in driving its effectiveness. The EA Policy sets out the policies and procedures on appointment and re-appointment of External Auditors, the annual assessment of the External Auditors as well as the declaration of independence by the External Auditors as specified in the By-Laws issued by the Malaysian Institute of Accountants.</p> <p>The Board has delegated to the AC to undertake an annual assessment of the quality of audit which encompassed the performance and quality of the External Auditors and their independence, objectivity and professionalism. The assessment process involves identifying the areas of assessment, setting the minimum standard and devising tools to obtain the relevant data. The areas of assessment include among others, the External Auditors' caliber, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as the audit fees. Assessment questionnaires were used as a tool to obtain input from the Company's personnel who had constant contact with the external audit team throughout the year.</p> <p>To support the AC's assessment of their independence, the External Auditors had provided the AC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements.</p> <p>At the AC meeting held on 12 March 2018, the External Auditors namely, Ernst &amp; Young ("EY") has presented to the AC its 2018 Audit Plan which included EY's confirmation that EY is independent throughout the conduct of the audit engagement in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. The External Auditors also had on 1 August 2018, declared their independence to the AC.</p>

	<p>The AC also reviewed the contracts for provision of non-audit services by the External Auditors. The recurring non-audit services were in respect of tax compliance and the annual review of the Statement of Risk Management and Internal Control. The non-recurring non-audit services are acting as reporting accountants for any corporate exercises.</p> <p>Based on the outcome of the assessment, the AC will decide on the recommendation of the re-appointment of External Auditors to the Board. The Board will in turn seek the shareholders' approval on the re-appointment of External Auditors for the ensuing year at the forthcoming Annual General Meeting ("AGM").</p> <p>In addition, the Terms of Reference of the AC also requires the AC to assess the suitability, objectivity and independence of the External Auditors annually.</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**

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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit Committee comprises the following members all of whom are Independent Non-Executive Directors ("INEDs"):-</p> <p><u>Chairman/Independent Non-Executive Director</u> Mr Loh Chen Peng</p> <p><u>Members/Independent Non-Executive Directors</u> Dato' Syed Ariff Fadzillah Bin Syed Awalludin Dato' Abdul Manap Bin Abd Wahab Datuk Syed Hisham Bin Syed Wazir</p> <p>All the INEDs have satisfied the independence test based on the criteria set out in the Main Market Listing Requirements of Bursa Securities.</p>

### 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>	<p>The members of the Audit Committee ("AC") possess a mix of skill, knowledge and appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the Terms of Reference ("TOR") of the AC.</p> <p>The Chairman of the AC is a member of the Malaysian Institute of Certified Public Accountants. Hence, he has fulfilled the requirement under Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Securities, which stipulates that at least one (1) member of the AC is a member of the Malaysian Institute of Accountants.</p> <p>All the members of the AC are financially literate and are able to understand, analyse and challenge matters under purview of the AC including financial reporting process.</p> <p>The AC members are aware of the need to continuously develop and to broaden their knowledge in the areas of accounting and auditing in order to carry out their roles and duties effectively. Various training has been undertaken by the AC members on an ongoing and timely basis to keep themselves abreast of relevant industry developments.</p> <p>The training attended by the AC members during the financial year ended 30 April 2018 are set out in the Corporate Governance Overview Statement under "Directors' Training" in the Company's 2018 Annual Report.</p> <p>In addition, the AC members were also briefed by the External Auditors, Messrs Ernst &amp; Young on the following key areas at the AC meeting held during the financial year:</p> <ul style="list-style-type: none"><li>(i) Financial Reporting Developments inclusive of the amendment of Malaysian Financial Reporting Standards ("MFRS") and new MFRS;</li><li>(ii) Changes in Regulatory Environment arising from the amendments on Listing Requirements of Bursa Securities, Companies Act 2016 as well as the MCCG.</li></ul>

	<p>For the financial year ended 30 April 2018, the Board through the Nomination Committee had reviewed the effectiveness of the AC via an evaluation questionnaire. The Board is satisfied with the AC's performance and that the necessary skills, experience, knowledge and other relevant field of expertise of the AC members had contributed to the overall effectiveness of the AC.</p> <p>The detailed report on the activities of the AC for the financial year ended 30 April 2018 is set out in the Company's 2018 Annual Report.</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

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>	:	<p>The Board acknowledges its responsibility in maintaining a sound system of risk management and internal controls to safeguard shareholders' investments and the Group assets and for reviewing the adequacy and integrity of the Group's risk management and internal control system.</p> <p>The Board has delegated and entrusted the Risk Management Committee ("RMC") of the Company which comprises a majority of Independent Directors, with the overall responsibility to oversee the risk management framework of the Group, reviews the risk management policies formulated by the Management and makes relevant recommendations to the Board for approval. This enables the Management to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group on an on-going basis, including remedial measures to be taken to address the risks. The Group continues to maintain and review its risk management and internal control procedures to ensure, as far as is possible, the protection of its assets and its shareholders' investments.</p> <p>The implementation of these control systems was taken by the Management who regularly report on risks identified and action steps taken to mitigate and/or minimise the risks. The oversight of this critical area is carried out by the Audit Committee ("AC") and RMC. The AC comprises of Board members only whilst the RMC comprises of a majority of Board Members with the Head of Corporate Planning as its Secretary.</p> <p>The RMC has adopted an Enterprise Risk Management ("ERM") framework to proactively identify, evaluate and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this framework aims to provide an integrated approach entity-wide. It outlines the ERM methodology focussing on risk ownership and continuous monitoring of key risks identified.</p> <p>The RMC is supported by the recently formed Sustainability Working Committee ("SWC") which maintains the risk and sustainability oversight within the Group at the management level, as outlined in the ERM framework. At the Board level, the RMC assumes the oversight and strategic role of ERM. The Board assists these Committees in discharging its risk management responsibilities.</p>

	<p>The SWC facilitates the risk and sustainability assessment process by providing independent enquiry on risk / sustainability identification and risk / sustainability ratings determination by the respective process owners (line managers) based on the risk / sustainability appetite set by the Board. Heads of Department are responsible for identifying, analysing and evaluating risks / sustainability issues, as well as developing, implementing and monitoring risk / sustainability action plans and reporting key risks / sustainable issues to the RMC.</p> <p>The key elements of the risk management and internal control structure are as follows:-</p> <ul style="list-style-type: none"> <li>(a) An organisational structure in the Group with formally defined lines of responsibility and delegation of authority;</li> <li>(b) Quarterly review of the Group's business performance by the Board, which also covers the assessment of the impact of changes in business and competitive environment;</li> <li>(c) Active participation and involvement by the Chief Executive Officer ("CEO"), Chief Financial Officer and Executive Director (cum RMC member) in the daily running of the business and regular discussions with the respective Heads of Department on operational issues; and</li> <li>(d) Monthly financial reporting to the CEO.</li> </ul>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**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 features of the risk management and internal control framework of the Group and its adequacy and effectiveness are set out in the Statement on Risk Management and Internal Control as contained in the Company's 2018 Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has established a Risk Management Committee comprising the following members, a majority of whom are Independent Non-Executive Directors, to oversee the risk management framework of the Group, reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval:-</p> <p><u>Chairman/Independent Non-Executive Director</u> Mr Loh Chen Peng</p> <p><u>Members</u></p> <p><u>Independent Non-Executive Directors</u> Dato' Syed Ariff Fadzillah Bin Syed Awalludin Dato' Abdul Manap Bin Abd Wahab Datuk Syed Hisham Bin Syed Wazir</p> <p><u>Chief Executive Officer</u> Dato' Sri Yeoh Choon San</p> <p><u>Executive Director</u> Dato' Lee Kok Chuan</p>

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to the Group Internal Audit Division (“IAD”) of Berjaya Corporation Berhad, which reports directly to the Audit Committee and carries out their internal audit based on the plan approved by Audit Committee.</p> <p>Berjaya Corporation Berhad is the holding company of Berjaya Group Berhad which in turn has an indirect interest in the Company via its 18.95% interest in Dynamic Milestone Sdn Bhd. Dynamic Milestone Sdn Bhd is a substantial shareholder of the Company, the majority of which is owned by the Management of the Company.</p> <p>The internal audit function of the Company is effective and remains independent all the time. The internal audit function is set out in the Statement of Risk Management and Internal Control and Audit Committee Report.</p> <p>The principal activity of the IAD is to conduct regular and systematic review of the system of internal controls so as to provide reasonable assurance that the system continues to operate satisfactorily and effectively.</p> <p>Their role is to provide the Audit Committee (“AC”) with independent and objective reports on the adequacy and effectiveness of the system of internal controls and procedures in the operating units within the Group and the extent of compliance with the Group’s established policies, procedures and guidelines, and also compliance with applicable laws, regulations, directives and other external enforced compliance requirements. Observations from internal audits are presented to the AC together with management’s responses and proposed action plans for its review. The action plans are then followed up during subsequent internal audits with implementation status reported to the AC.</p> <p>The summary of activities undertaken by IAD during the financial year ended 30 April 2018 is set out in the Audit Committee Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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 Company is outsourced to the Group Internal Audit Division (“IAD”) of Berjaya Corporation Berhad and their internal audit personnel is free from any relationship or conflict of interest, which could impair their objectivity and independence. The independence of the internal audit function is evidenced from its direct reporting to the Audit Committee.</p> <p>The IAD of Berjaya Corporation Berhad consists of nineteen (19) internal audit personnel with relevant qualifications and experience and is headed by Mr Chong Seng Fook, the General Manager of IAD.</p> <p>Mr Chong Seng Fook is a holder of Bachelor’s Degree in Accounting and Master of Business Administration from Southern New Hampshire University, USA.</p> <p>The internal audit function is guided by the Internal Audit Charter. The Charter sets out the objectives, authority, independence, scope and responsibility of the internal audit function, which are consistent with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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 Company recognises the importance of being transparent and accountable to its shareholders and has used various channels of communications to enable the Board and Management to continuously communicate, disclose and disseminate comprehensive and timely information to investors, shareholders, financial community and the public generally.</p> <p>The various channels of communications with stakeholders are through the following: -</p> <ul style="list-style-type: none"> <li>(i) the quarterly announcements on financial results and other periodical or relevant announcement to Bursa Securities;</li> <li>(ii) circulars and annual report;</li> <li>(iii) general meetings of shareholders;</li> <li>(iv) meetings with investors, analysts and fund managers and briefing where appropriate; and</li> <li>(v) the Company's website at <a href="http://www.bauto.com.my">www.bauto.com.my</a> where shareholders can access corporate information such as Board Charter, Terms of References of the Board Committees, Board Policies, press releases, financial information, Company announcements and others.</li> </ul> <p>The above channels of communication will help to enhance stakeholders' understanding of the business and operations of the Group and to make informed investment decision.</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

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>	:	
<b>Explanation for departure</b>	:	The Company has yet to adopt integrated reporting for 2018 Annual Report. The Management of the Company will look into adopting integrated reporting in the near future.
		At present, the Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions. The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects. Components such as Management's Discussion and Analysis, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control form an integral part of the non-financial information.
<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 would review the need to adopt the integrated reporting based on a globally recognised framework at the appropriate time.
<b>Timeframe</b>	:	Others

**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>	:	<p>The Company despatches its notice of meeting at least twenty-eight (28) days before the Annual General Meeting (“AGM”) together with a copy of the Annual Report to the shareholders of the Company and accompanied with the Administrative Details at AGM.</p> <p>The notice for the Seventh AGM of the Company held on 10 October 2017 was sent on 22 August 2017. The notice for the Eighth AGM in 2018 scheduled to be held on 3 October 2018 will be sent out on 21 August 2018. The notice period for both the AGMs in 2017 and 2018 is more than 28 days.</p> <p>The additional time given to the shareholders will enable them to have sufficient time to consider the resolution that will be discussed at the AGM as well as to make the necessary arrangement to attend and participate personally at the AGM or through a proxy or a corporate representative.</p> <p>The Administrative Details is to provide information regarding attendance and the conduct of the meeting. Each item of the special business included in the Notice of AGM is accompanied by a brief explanatory statement on the proposed resolution to facilitate a better understanding and evaluation of issues involved and allows shareholders to make an informed decision in exercising their voting rights at AGM.</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**

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>	:	<p>All the six (6) Directors of the Company have attended the Company's Seventh Annual General Meeting ("7th AGM") held on 10 October 2017.</p> <p>The Chairman of the Audit Committee, Nomination Committee, Risk Management Committee, Remuneration Committee and Employees' Share Option Committee together with the Senior Management have also attended the AGM, interacted with shareholders and provided meaningful response to shareholders' queries during the AGM.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Annual General Meeting of the Company have been held at Bukit Jalil Golf and Country Resort in Kuala Lumpur, a strategic and familiar location with easy accessibility and where most shareholders will be able to attend.</p> <p>The Company has 6,934 shareholders as at 13 July 2018 and the number of holders is not large to warrant the use of technology to facilitate remote shareholders or voting in absentia at this stage.</p> <p>However, the Company will explore the use of technology to facilitate the voting in absentia and/or remote shareholders' participation at general meetings where required, taking into consideration the number of shareholders, the accuracy and stability of such technologies, applicable laws and regulations and resources required vis-à-vis the benefits.</p> <p>The notice of Annual General Meeting ("AGM") and Proxy Form has been despatched to all the shareholders with a notice period of more than 28 days. This is sufficient time for them to decide on whether to attend, participate, speak and vote the meeting personally or to submit the proxy form if the members are unable to attend the meeting personally.</p> <p>Shareholders may appoint any person (s) as their proxy or corporate representative(s) to attend, participate, speak and vote in his stead at a general meeting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Recommendation of Practice 12.3 of the MCCG to leverage on technology is a new concept introduced and the Company would need time to study the availability of such software and hardware as well as writing the programmes to facilitate such mode of voting
<b>Timeframe</b>	:	Others

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

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

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