

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0190  
**COMPANY NAME** : EVERSAFE RUBBER BERHAD  
**FINANCIAL YEAR** : December 31, 2018

## OUTLINE:

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

*Disclosures in this section are pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO THE 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 Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.*

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("<b>Board</b>") is responsible for the leadership, oversight, control, development and long-term success of Eversafe Rubber Berhad ("<b>Eversafe Rubber</b>" or the "<b>Company</b>") and its subsidiaries ("<b>Group</b>"). It is also responsible for instilling the appropriate culture, values and behaviour throughout the Group.</p> <p>The Company's Board Charter defines the specific duties and responsibilities of the Board which can be found at the Company's website at <a href="http://www.eversafe.com.my">www.eversafe.com.my</a>.</p> <p>The Board has delegated some of its responsibilities to the Committees of the Board, namely the Audit Committee, Nominating Committee and Remuneration Committee. The activities of each Committee are as set out in the Corporate Governance Overview Statement of the Annual Report 2018.</p> <p>The Board, having recognised that risk management is an integral part of the business operations of the Group, has undertaken the preparation of a risk management framework and assessment to identify, evaluate and manage the significant risks affecting the Group's operations to ensure that high risk areas are adequately addressed at various levels within the Group. In addition, the risk profile of the Group is established by undertaking risk mapping and assessments facilitated with the assistance of external risk management consultants whereby key risk areas for each of the critical business functions and activities of the Group were identified, assessed and categorised based on the likelihood of occurrence and the resulting impact.</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 1.2

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>	:	The Chairman's role and responsibilities have been set forth in the Board Charter which has been approved by the Board, a copy of which can be obtained from our Company's website, <a href="http://www.eversafe.com.my">www.eversafe.com.my</a> .	
<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>	:	The roles of Eversafe Rubber's Chairman and CEO are not combined. The Chairman and CEO are held by Tan Sri Dato' Dr. Sak Cheng Lum (Independent Non-Executive Chairman) and Mr. Cheah Siang Tee (Executive Director) respectively. Their respective roles and responsibilities are governed in the Company's Board Charter which has been approved by the Board, a copy of which can be obtained from our Company's website, <a href="http://www.eversafe.com.my">www.eversafe.com.my</a> .	
<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>	:	All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The Company Secretaries of Eversafe Rubber are Chong Lay Kim and Yeng Shi Mei, all of which are professionally registered company secretaries.	
<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 1.5**

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>Prior to the Board meetings, timely circulation of proper notice of meetings together with the agenda and meeting materials is practised to allow reasonable time for Directors to view Board papers. Exceptions may be made for certain ad-hoc or urgent instances when Directors unanimously consent to a shorter notice period and timeframe for the provision of agenda papers.</p> <p>Minutes of a Directors' meeting would be distributed to all Directors on a timely basis for review and thereafter for confirmation at next board meeting. The signed board minutes are entered in minutes books kept by the Company Secretaries.</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 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 Company’s Board Charter clearly identifies the respective roles and responsibilities of the Board, Board committees and individual directors including both the Executive Directors and Non-Executive Directors. It also clearly identifies the issues and decisions reserved for the Board.</p> <p>The Board would regularly review this charter and the charters of Board Committees to ensure they remain consistent with the Board’s objectives and responsibilities, and relevant standards of corporate governance.</p> <p>The Board Charter is published on the Company website at <a href="http://www.eversafe.com.my">www.eversafe.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 recognises the importance of having in place a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to cultivate and promote good corporate behaviour and has formalised such a Code of Conduct. The Company's Code of Conduct for employees also includes provisions on conduct, which highlight, amongst others, the standards of integrity, transparency, fairness, accountability as well as contribution towards the social and environmental growth of the surroundings in which our Group operates. Meanwhile, the Board Charter sets out provision for disclosure and conflict of interest to be observed by Directors.</p> <p>The Code of Conduct and Ethics is published on the Company's website, <a href="http://www.eversafe.com.my">www.eversafe.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, on 12 August 2017, approved the Whistleblowing Policy in ensuring our Group upholds our business ethics of honesty, integrity and transparency. A copy of the Whistleblowing Policy has been published on our Company’s website. Any stakeholders suspecting any integrity issues, misconducts and/or fraud occurring in any of the companies within our Group are encouraged to lodge a report in writing, submitted via post or email to:</p> <p>Audit Committee Chairman / Company Secretary  Eversafe Rubber Berhad  41, Jalan Medan Ipoh 6  Bandar Baru Medan Ipoh  31400 Ipoh  Perak  Email: <a href="mailto:whistleblow@eversafe.com.my">whistleblow@eversafe.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>	:	The Board comprises 4 independent directors (IDs), out of 8 directors.	
<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>	:		
<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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has not yet put in place any official policy which limits the tenure of its independent directors to nine years. Nonetheless, the Nominating Committee has taken cognisance of Practice 4.3 of the MCCG 2017 in their consideration for recommendation to the Board of Directors who are retiring at each Annual General Meeting for re-election. In the event of an Independent Director who has served a cumulative term of more than 9 years, the Board will justify and seek shareholders' approval should it wish to retain such Director as an Independent Director.</p> <p>Notwithstanding the above, in view that the Company has achieved its listing status approximately only 2 years ago, the Board will ensure that it puts in place official policies in order to govern the maximum term of Independent Directors in due course.</p>

### Intended Outcome

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

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Based on the terms of reference of the Nominating Committee, the objective of the Nominating Committee is to ensure that the Directors of the Board comprises members which provide a required mix of responsibilities, skills and experience needed to direct and control the Company towards achieving its intended goals and objectives.</p> <p>The Nominating Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of non-executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member.</p> <p>Before an appointment is made by the Board, the Nominating Committee will evaluate the balance of skills, knowledge and experience and diversity on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment.</p> <p>The Terms of Reference of the Nominating Committee is available on the Company's website, <a href="http://www.eversafe.com.my">www.eversafe.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 4.5

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>	:	Applied
<b>Explanation on application of the practice</b>	:	Currently, the Board has a woman director, namely Ms. Ong Beow Chieh, representing 12.5% of the total Board members.  The Nominating Committee of the Company's takes into account the balance of skills, knowledge and experience and diversity on the Board prior to the appointment of Board members. The Nominating Committee's views on gender diversity are disclosed under the Corporate Governance Overview Statement in the Annual Report 2018. The terms of reference of the Nominating Committee is also available on the Company's website, <a href="http://www.eversafe.com.my">www.eversafe.com.my</a> .
<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 4.6

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>	:	<p>As mentioned in the Nominating Committee terms of reference, in identifying suitable candidates for the Nominating Committee shall:</p> <ul style="list-style-type: none"><li>(i) use open advertising or the services of external advisers to facilitate the search;</li><li>(ii) consider candidates from a wide range of backgrounds and skills as considered appropriate;</li><li>(iii) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.</li></ul> <p>The terms of reference of the Nominating Committee is also available on the Company's website, <a href="http://www.eversafe.com.my">www.eversafe.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 4.7**

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>	:	The Nominating Committee is chaired by Tan Sri Dato' Dr. Sak Cheng Lum, the Independent Non-Executive Chairman.	
<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>	:	It is the role of the Nominating Committee to recommend new appointments to the Board, if required. Prior to doing so, as part of its annual activity, an evaluation of the existing balance of skills, knowledge, experience and diversity on the Board is first completed. The Nominating Committee will then make a recommendation to the Board for the appointment of new Directors should the need arises. For further details, please refer to the Corporate Governance Overview Statement in the Annual Report 2018 for further information.
<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>Based on the terms of reference of the Remuneration Committee, the Remuneration Committee shall review and recommend to the Board the framework of remuneration of the Executive and Non-Executive Directors and the remuneration package for each Executive Director.</p> <p>As part of its deliberation, the Remuneration Committee should take into consideration that the remuneration package should be structured according to the skills, experience and performance for the Executive Directors. The remuneration package of the Non-Executive Directors should depend on their contribution to the Group in terms of their knowledge and experience.</p> <p>The terms of reference of the Remuneration Committee is available on the Company's website, <a href="http://www.eversafe.com.my">www.eversafe.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 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 terms of reference of the Remuneration Committee includes the duties of the Remuneration Committee to review and recommend to the Board the framework of remuneration of the Executive and Non-Executive Directors and the remuneration package for each Executive Director. The Remuneration Committee should also recommend to the Board any performance related pay schemes for Executive Directors and/or any other persons. In addition, the Remuneration Committee is also tasked to review any major changes in remuneration policy and employee benefit structures for senior management throughout the Group.</p> <p>The terms of reference of the Remuneration Committee is available on the Company's website, <a href="http://www.eversafe.com.my">www.eversafe.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>	:	Detail disclosure on named basis for the remuneration of individual directors is in the Company's Annual Report 2018 under the Corporate Governance Overview Statement. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.
<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>The Group has in place a remuneration structure for all employees, including key senior management, with the intention of attracting, retaining and motivating employees. The remuneration structure is intended to reward employees according to the achievement of business and performance objectives. Pursuant to Practice 7.2 of the MCG 2017, the Company should disclose the remuneration components of 5 key senior management, on a named basis, including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000. The present disclosure in the Annual Report 2018 contains the remuneration details of the Group's Executive Directors, namely Dato' Seri Cheah Eu Kiat, Eu Ah Seng and Cheah Siang Tee, who are the 3 highest remunerated key senior management of our Group. Notwithstanding the above, the Board is of the view that the disclosure of the remuneration of key senior management who are not Directors should not be made publicly available as it will give rise to conflict as well as recruitment and talent retention issues.</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>	:	
<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 7.3 - 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>	:	

**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 Board is Tan Sri Dato' Dr. Sak Cheng Lum while the Chairman of the Audit Committee is Mr. Ng Meng Kwai.	
<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 8.2**

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>	:	At present, none of the members of the Audit Committee was a key audit partner in the last 2 years before being appointed.	
<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>	:	Based on the terms of reference of the Audit Committee, the Audit Committee is tasked with the review of the audit fee and matters concerning the suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal of the external auditor.	
<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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee comprises solely Independent Directors, namely Mr. Ng Meng Kwai, Tan Sri Dato' Dr. Sak Cheng Lum and Tuan Haji Mohd Isa bin Talib.

## 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 Audit Committee have the relevant accounting or related experience and expertise in financial service industry to effectively discharge their duties. The qualification and experience of the individual Audit Committee members are disclosed in the Board of Directors' Profile in the Annual Report 2018.</p> <p>The members of the Audit Committee have taken cognisance of the requirement and benefit to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. The conferences, seminars and/or training attended by members of the Audit Committee are as follows:</p> <ul style="list-style-type: none"><li>(i) Insolvency Legislative Changes in Malaysia</li><li>(ii) Financial Instruments Updates – An analysis of MFRS9 (2014) Version</li><li>(iii) MFRS9 Expected Loss Model</li><li>(iv) Engagement Session with Public Practitioners: Strengthening the Profession Together (KL)</li><li>(v) Transitional Issues from GST to SST – Your Questions on SST Answered</li><li>(vi) 2019 Budget Seminar</li><li>(vii) Sustainability Engagement Series for Directors/Chief Executive Officers</li><li>(viii) Familiarisation of Production Process and Quality Control (Eversafe Rubber in-house training)</li></ul>
<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

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, having recognised that risk management is an integral part of the business operations of the Group, has undertaken the preparation of a risk management framework and assessment to identify, evaluate and manage the significant risks affecting the Group’s operations to ensure that high risk areas are adequately addressed at various levels within the Group. Its systems of internal controls and risk management primarily cover areas of general operations, production efficiency and effectiveness, health and safety measures, repair and maintenance procedures, inventory management, financial controls and reporting, compliance monitoring and process improvements.</p> <p>In undertaking the functions of the Board with regards to risk management and internal controls of the Group, the Board is supported by the Audit Committee based on its clearly defined terms of reference. The Audit Committee has been tasked by the Board with the duty of reviewing and monitoring the adequacy and effectiveness of the Group’s risk management and internal controls. The day-to-day implementation of risk awareness and management as well as compliance under the Group internal control processes and procedures are part of the responsibilities of the key senior management of the Group.</p> <p>Please refer to the Statement on Risk Management and Internal Control in the Annual Report 2018.</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 9.2

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 Statement of Risk Management and Internal Control is disclosed in the Company's Annual Report 2018. Attestation has been made by the Board with regard to the adequacy and effectiveness of the framework.	
<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>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee of the Company is in charge of the effectiveness of internal control, risk management and governance process. As such, a separate Risk Management Committee was not established.

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The internal audit function is in place to assist the Audit Committee in discharging its functions effectively. It is considered an integral part of the assurance framework to provide assurance on the adequacy and effectiveness of the risk management and internal control system of our Group. For the financial year under review, in addition to our own in-house internal auditor, Mr. Leong Yew Wah, the Audit Committee also appointed an independent professional firm to independently assess the adequacy and effectiveness of the corporate governance and internal control system and provide an independent and objective report on its observations. The internal audit function highlighted its findings, including recommendations to address the findings noted, via the issuance of internal audit reports directly to the Audit Committee. The internal audit reports, incorporating findings, recommendations, management comments and action plans with regard to the weaknesses and observations in the risk management and internal control system, were tabled at Audit Committee meetings and thereafter to the Board for further deliberation.
<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>	:	Mr. Leong Yew Wah, our internal auditor, as well as the outsourced internal audit firm, Crowe Governance Sdn Bhd, are free from any relationships or conflict of interest or undue influence of others to override professional and business judgment, which could impair their objectivity and independence. The independence of the outsourced internal audit firm is derived from its direct reporting and unencumbered access to the Audit Committee and reports directly and functionally, to the Audit Committee and ultimately to the Board. The internal controls review conducted by Crowe Governance Sdn Bhd is as per the Internal Audit Plan approved and adopted by the Company's Audit Committee.	
<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 Board ensures the Company announces its quarterly results on timely basis to the shareholders and also make necessary announcement to its stakeholders in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Board also ensures stakeholders are given the opportunity to speak and seek clarification during the Company's Annual General Meeting, for effective and transparent communication with its stakeholders.</p> <p>Investor relations activities, if any, such as meetings with fund managers and analyst and interview by the media are attended to by the Executive Directors.</p> <p>The Company also has a website <a href="http://www.eversafe.com.my">www.eversafe.com.my</a>, as an avenue for dissemination of corporate and financial disclosures.</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 11.2**

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>	:	Not applicable as Eversafe Rubber Berhad is not considered a large company. Upon achieving such status, the Board shall then decide on the adoption of integrated reporting based on a globally recognised framework.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<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 12.1**

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 Notice of Annual General Meeting to shareholders is dated 15 April 2019, which is more than 28 days' notice for holding the Company's AGM on 15 May 2019.	
<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 12.2**

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>	:	Barring unforeseen circumstances, all Directors of the Company will endeavour to attend all General Meetings of the Company. The Chairmen of the Audit, Nominating and Remuneration Committees will be present on stage to provide response if there are any questions addressed to them.	
<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>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company's Annual General Meeting is to be held in Ipoh, Perak and not in a remote location.	
<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>	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO THE 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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