

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0206  
**COMPANY NAME** : GAGASAN NADI CERGAS BERHAD  
**FINANCIAL YEAR** : December 31, 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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("Board") of Gagasan Nadi Cergas Berhad ("Gagasan Nadi Cergas" or "the Company") has overall responsibility for the strategic direction of the Company and its subsidiaries ("Group"). The Board meets regularly to review corporate strategies, operations and performance of business units within the Group. All Board members bring their independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The roles and responsibilities of the Board as set out in the Board Charter are clear and distinct from that of the Managing Director ("MD"). The matters reserved for the deliberation and collective decision of the Board, to ensure the direction and control of the Group's businesses are in its hands, are listed in the Board Charter which is available on the corporate website: <a href="http://www.nadicergas.com">www.nadicergas.com</a>.</p> <p>The Board has oversight on matters delegated to the Management whereby updates are periodically reported. All Board authority conferred on Management is delegated through the MD so that the authority and accountability of management are considered to be the authority and accountability of the MD so far as the Board is concerned.</p> <p>Other than the MD, the Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, developing and implementing investor relations and reviewing internal controls. Towards this, the Board has delegated specific responsibilities to the following Board committees: -</p> <ul style="list-style-type: none"><li>i. Audit &amp; Risk Management Committee ("ARMC")</li><li>ii. Nomination Committee ("NC")</li><li>iii. Remuneration Committee ("RC")</li></ul>

	<p>The powers delegated to the Board Committees are set out in the Terms of Reference of each of the Committees as approved by the Board and set out in the Appendices I, II &amp; III of the Board Charter.</p> <p>The Board Committees review matters within their TORs and make recommendations to the Board for approval. The Board is kept apprised of the activities of the Board Committees through the circulation of minutes of meetings of the Board Committees and update on meeting deliberations and outcomes by the respective chairmen and/or chairpersons of the Board Committees at meetings. The ultimate responsibility for the final decision on the recommendations lies with the entire Board.</p>	
<p><b>Explanation for departure</b></p>	<p>:</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>:</p>	
<p><b>Timeframe</b></p>	<p>:</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 Chairman of the Board holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and the overall conduct of the Group. He is committed to good corporate governance practices and to lead the Board towards high performing culture.</p> <p>The Chairman will act as the facilitator at meetings of the Board and ensure that no Board member, whether Executive or Non-Executive, dominates the discussion, and that appropriate discussion takes place and that relevant opinion among the members of the Board are forthcoming. Together with the other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by the Management. He also chairs the meetings of the Board and the shareholders.</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 the Chairman and the MD in the Company are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of the Company to ensure a balance of power and authority between the Chairman and the MD.</p> <p>The Chairman of the Board, Ir. Dr. Muhamad Fuad Bin Abdullah leads and manages the board by focusing on strategy, governance and compliance, whereas the MD, Hj Wan Azman Bin Wan Kamal oversees the day to day operations of the Company and the implementation of the Board's decisions and policies.</p> <p>The key roles and accountabilities of the Chairman and MD are set out in the Board Charter which is available on the corporate website: <a href="http://www.nadicergas.com">www.nadicergas.com</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 Group is currently outsourcing the corporate secretarial function to Tricor Corporate Services Sdn Bhd.</p> <p>The Board is supported by three (3) qualified and competent Company Secretaries who are members of the Institute of Chartered Secretaries and Administrators and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016 ("the Act"). The Company Secretary plays a significant role in supporting the Board to ensure that all governance matters and Board procedures are followed and that the applicable laws and regulations and the Code are complied with. These include obligations of Directors relating to disclosure of interests and disclosure of any conflicts of interest in transactions with the Group.</p> <p>The key roles of the Company Secretary are set out in the Board Charter which is available on the corporate website: <a href="http://www.nadicergas.com">www.nadicergas.com</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 1.5

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>The Board meets at least 4 times annually with additional Board meetings to be convened as and when necessary. The Notice of Board meetings is sent to the Board and Board Committee via email and hard copy at least 5 business days prior to a meeting.</p> <p>The Board is provided with appropriate information and comprehensive Board papers at least 5 business days prior to Board meetings to ensure that the Directors have sufficient preparation time and information to make an informed decision at each Board meeting.</p> <p>Annual meeting calendar which provides details of scheduled dates for Board and Board Committee Meeting, the Annual General Meeting have been discussed and agreed in advance at the beginning of the year.</p> <p>Management is invited to attend the Board and Board Committee meetings to brief and provide explanations to the Directors and Board on the operations of the Group. The deliberations and decisions at the Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation. Upon conclusion of the meeting, minutes are circulated in a timely manner.</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 Board Charter was adopted by the Board on 8 March 2018 in preparation for the listing of the Company. The Company was listed on the ACE Market of Bursa Malaysia Securities Berhad on 8 January 2019.</p> <p>Any subsequent amendment to the Board Charter can only be approved by the Board. Apart from setting out the roles and responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, the Board Charter also outlines the membership guidelines, procedures for Board Meetings, Directors' remuneration, Board and member assessment and shareholders' communication.</p> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available on the corporate website: <a href="http://www.nadicergas.com">www.nadicergas.com</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 is committed to maintain a corporate culture which engenders ethical conduct. The good business conduct adopted by the Group is formalised through the Company's Code of Ethics and Conduct, which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur.</p> <p>The Code of Ethics and Conduct is periodically reviewed and is available on the Company's corporate website: <a href="http://www.nadicergas.com">www.nadicergas.com</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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company was listed on 8 January 2019 and the management has formalised a Whistleblowing Policy. This policy will be further deliberated by the Board for adoption during the financial year 2019.	
		N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	N/A	
<b>Timeframe</b>	:	N/A	

### 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 consists of five (5) members comprising three (3) Independent Non-Executive Directors and two (2) Executive Directors.</p> <p>The Independent Directors make makes up more than half of the Board as recommended by the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”), while their number exceeds the minimum as prescribed by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Board comprises members from various professions with individual personalised quality, expertise, skills and relevant market and industry knowledge and ensures at all times that necessary financial and human resources are in place for the Company to meet its strategic objectives. The Board will continue to monitor and review the Board size and composition as may be needed.</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>	:		
<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>	:	

### 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 providing fair and equal opportunities and nurturing diversity within the Group. The Board is committed to ensure diversity (including diversity in skills, experience, age, cultural background and gender) it is composition.</p> <p>The Nomination Committee is entrusted to develop the policies and procedures in formalising the approach in the recruitment process and annual assessment of Directors, which serve as guides for the Nomination Committee in discharging its duties in the aspects of nomination, evaluation, selection and appointment process of new Directors. The Nomination Committee shall, prior to the appointment by the Board, evaluate the balance and composition including a mix of skills, independence, experience and diversity (including diversity in gender, ethnicity and age) of the Board.</p> <p>The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the Nomination Committee. All nominees and candidates to the Board are first considered by the Nomination Committee taking into consideration, inter-alia, the competency, knowledge, expertise and experience, professionalism, integrity, time commitment of the candidates, including, where appropriate, the criteria on assessing the independence of candidates' appointment as Independent Non-Executive Directors.</p> <p>There was no new appointment of directors during the year under review.</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

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>	:	The Company was only listed on 8 January 2019 and has is in the midst of formulating a gender policy. Board membership is dependent on each candidate's skills, experience, core competencies and other qualities as well as the needs of the Company for the time being, regardless of gender. The Board does not consider gender to be a bar to Board membership.	
		Currently, there is one (1) female Director on the Board. It is the intention of the Board to provide equal opportunity to suitable candidates with the necessary competency and experience who is able to bring value to the Board. In the meantime, the Board considers the gender mix to be sufficiently effective and will, when a suitable candidate is available, appoint additional female directors on board.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	N/A	
<b>Timeframe</b>	:	N/A	

### 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>The Company was listed on 8 January 2019. The appointment of our Independent Directors, for the inclusion into the Company's Prospectus, was to some extent, reviewed by the regulators and the Securities Commission with regards to their suitability, experience, calibre and gender.</p> <p>Moving forward, the Board will delegate the responsibility to establish a formal and transparent procedure for the nomination and appointment of new Directors to the Board to the NC. Such responsibilities include screening, conducting initial selection of internal and external candidates, performing requisite evaluation and assessment on the candidate's ability to discharge their duties effectively and efficiently, prior to making recommendations to the Board for its approval.</p> <p>The NC also ensures candidates possess the appropriate skills, core competencies, experience and integrity to effectively discharge his or her role as a Director.</p> <p>The NC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary.</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>	:	<p>The NC was established on 15 September 2017. The primary objective of the NC is to ensure the Board is comprised of individuals with an optimal mix of qualifications, skills and experience.</p> <p>The present composition of the NC consists of 3 members of the Board, all of whom are Independent Non-Executive Directors: -</p> <p>Chairman of NC : Ir. Dr. Muhammad Fuad Bin Abdullah Independent Non-Executive Chairman</p> <p>Members of NC : Siti Naaishah Binti Hambali Independent Non-Executive Director</p> <p>: Chng Boon Huat Independent Non-Executive Director</p> <p>The Terms of Reference of the NC is available on the Company's corporate website: <a href="http://www.nadicergas.com">www.nadicergas.com</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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company was listed on 8 January 2019. A full Board evaluation will only be carried out for the financial year ending 2019.	
		N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	N/A	
<b>Timeframe</b>	:	N/A	

### 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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Presently, there is no a formal and transparent process for approving the remuneration of the Board and Board Committees, the Managing Director, Executive Director, Non-Executive Director and Senior Management as the Company was recently listed on 8 January 2019.	
		The Remuneration Committee will formulate policies, guidelines and set criteria for remuneration package for Directors and senior management to ensure that they are fairly and appropriately remunerated according to the market conditions.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	N/A	
<b>Timeframe</b>	:	N/A	

### 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 RC was established in 2017. The primary objective of the RC is to establish, review and approve the remuneration packages of Executive Director, Non-Executive Director and Senior Management in a formal and transparent manner. This ensures the remuneration of the Directors reflect their responsibility and commitment undertaken by them and also to attract and retain right talent in the Board to drive the Company's long-term objectives.</p> <p>The present composition of the RC consists of 3 members of the Board, all of whom are Independent Non-Executive Directors: -</p> <p>Chairman of RC : Siti Naaishah Binti Hambali Independent Non-Executive Director</p> <p>Members of RC : Ir. Dr. Muhammad Fuad Bin Abdullah Independent Non-Executive Chairman</p> <p>: Chng Boon Huat Independent Non-Executive Director</p> <p>The Terms of Reference of the NC is available on the Company's corporate website: <a href="http://www.nadicergas.com">www.nadicergas.com</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>	:	Detailed disclosure on named basis for the remuneration of individual Directors which include their fees, salary, bonus, benefits in-kind and other emoluments is provided in the Corporate Governance Overview Statement of the Company's Annual Report 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

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is of the view that it would not be in its best interest to make such disclosure on a named basis in view of the competitive nature of human resource market and the Company should maintain confidentiality on employees' remuneration packages.	
		The disclosure of the Group's Key Senior Management remuneration in an aggregate basis is set out in the Annual Audited Financial Statements in this Annual Report.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	N/A	
<b>Timeframe</b>	:	N/A	

**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>	:	<p>The Audit Committee was established in 2017. With effect from 27 February 2019, the Committee was re-named the Audit and Risk Management Committee ("ARMC" or "the Committee") in order to accurately reflect the powers of oversight over the risk management matters delegated to the ARMC.</p> <p>The primary objective of the ARMC is to assist the Board in fulfilling its responsibility relating to accounting, risk management and reporting practices of the Group.</p> <p>The present composition of the ARMC consists of 3 members of the Board, all of whom are Independent Non-Executive Directors: -</p> <p>Chairman of ARMC : Chng Boon Huat Independent Non-Executive Director</p> <p>Members of ARMC : Ir. Dr. Muhamad Fuad Bin Abdullah Independent Non-Executive Chairman</p> <p>: Siti Naaishah Binti Hambali Independent Non-Executive Director</p> <p>The Terms of Reference of the ARMC is available on the Company's corporate website: <a href="http://www.nadicergas.com">www.nadicergas.com</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**

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>	:	The Terms of Reference of the ARMC includes that in the event a former audit partner is appointed as a member of the ARMC, the former key audit partner is to observe a cooling-off period of at least two (2) years before being appointed.  None of the present ARMC members were former key audit partners.	
<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 ARMC is responsible for assessing the capabilities and independence of the external auditors and to also recommend to the Board on their appointment, re-appointment or termination of their services to the Company.</p> <p>During the financial year, the ARMC has monitored and reviewed the performance and independence of the external auditors, namely, Messrs Crowe Malaysia PLT and satisfied itself that the external auditors have been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the ARMC and the Group.</p> <p>Messrs Crowe Malaysia have confirmed to the ARMC that they have continuously complied with the relevant ethical requirements regarding independent throughout the conduct of the audit engagement with the Group, in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants By-Laws (on Professional Ethics, Conduct and Practice).</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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The ARMC consists exclusively of Independent Non-Executive Directors.

### 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 ARMC is chaired by Chng Boon Huat who is a qualified accountant. The qualifications, skills, experience and expertise vary among the ARMC members of whom are from diverse fraternities such as finance, law, audit and public service/management. With their knowledge/vast experience, they are not only capable of understanding matters under the ARMC's purview but also be able to provide sound advice to the Board in term of governance, regulatory compliance, financial reporting, internal and external audit reports as well as other matters to be considered by the ARMC.</p> <p>In conclusion, the Board is satisfied with the ARMC's existing performance and is of the view that, with the ARMC's current mix of skills, knowledge, experience and strength, the Board and ARMC are able to discharge their duties and responsibilities effectively.</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 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>During the financial year the Company's Internal Control function was outsourced to an external firm, Sterling Business Alignment Consulting Sdn Bhd whilst the risk management function was carried out by the Company's Internal Audit and Compliance ("IAC") department during the year under review, focusing purely on operational reviews. As a consequence of the Company's listing, the scope of the IAC department was expanded to cover business risks.</p> <p>Moving forward, the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls would be reported on a quarterly basis, where risk and controls are identified, evaluated, monitored and managed to ensure that adequate and effective controls are in place.</p> <p>Such continuous review processes are conducted by the Company's Management Team as well as the Group's independent and sufficiently resourced internal audit function. The findings of the internal audit function would be regularly reported to the ARMC.</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 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>	:	<p>The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Company in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board.</p> <p>The Group Internal Control and Enterprise Risk Management Policy and Procedure had been presented and approved by ARMC on 2 January 2019 for adoption.</p> <p>The key details are disclosed under the Statement on Risk Management and Internal Control in the 2018 Annual 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 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>	:	

**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>In preparation of the Company’s listing, the Company had engaged an external consultant to carry out the internal review over the Group. Following the listing, the Company had established an in-house team to carry out the internal audit reviews over the effectiveness of risk management, control and governance processes within the Group.</p> <p>The Group Internal Audit Department reports directly to the Audit and Risk Management Committee and tables its annual plan and review reports to the Audit and Risk Management Committee for its approval.</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>In preparation for the listing of the Company, the internal audit function was outsourced to a professional firm. After the Company was listed on 8 January 2019, the Company had established its own in-house internal audit team comprising three (3) staffs, headed by Nadya Naina Bt. Rahmat, Head of Internal Audit and Compliance. She currently holds a Master Degree in Management and is pursuing a Doctorate in Business Administration from International Islamic University Malaysia (IIUM). She is a Practitioner of the Chartered Quality Institute (CQI) and also certified by the International Register of Certified Auditor (IRCA) as a Lead Auditor for ISO 9001, and a Registered Auditor for ISO 14001 and ISO 45001. Nadya has more than 10 years of working experience in quality management system, process development and internal quality audit in various industries such as healthcare, financial and construction.</p> <p>Moving forward the IA plan adopted by the Company follows the internal audit framework and guidance issued by COSO, an internationally recognised organisation providing guidance on internal control, ERM and governance.</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 was only listed on 8 January 2019.</p> <p>Presently, the Board and management of the Company communicate regularly with its shareholders and other stakeholders through the following channels of communication:</p> <p>(i) Bursa Malaysia Securities Berhad The Company releases all material announcement via Bursa LINK and the shareholders and the public in general may obtain such announcements and financial information from the website of Bursa Malaysia Securities Berhad.</p> <p>(ii) Corporate Website The Company's corporate website, <a href="http://www.nadicergas.com">www.nadicergas.com</a>, incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by for both shareholders and the public.</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>	:	The Board is mindful on the benefit of integrated reporting which is applicable for Large Companies. As Gagasan Nadi Cergas Berhad is not under the category of Large Companies, the Board has not prepared the Integrated Report.	
		Currently, the Group has yet to adopt an integrated reporting as the Company is not a Large Companies as defined by MCGG. We believe that the Company's integrated reporting journey should be built on the foundational steps in tandem with the growth of the Company	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	N/A	
<b>Timeframe</b>	:	N/A	

**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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company was only listed on 8 January 2019. The Board will endeavour to despatch its notice of Annual General Meeting (“AGM”) for 2019 at least 28 days before the meeting.	
		N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	N/A	
<b>Timeframe</b>	:	N/A	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All directors attended the general meetings of the Company.	
<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>	:	<p>Gagasan Nadi Cergas Berhad who was listed on 8 January 2019 does not have a large number of shareholders.</p> <p>The Company will hold its 2019 AGM in Klang Valley and the venue is easily accessible by shareholders. Considering the cost involved and in view that the number of shareholders is not large, it is currently not economically justifiable to enable voting in absentia or remote shareholders' participation.</p> <p>The Company will be adopting electronic voting ("e-voting") for the conduct of poll on all resolutions. The appointed Poll Administrator and Independent Scrutineers will be conducting the polling/e-voting process and verify the results of the poll.</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>	:	

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

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

Not Applicable
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