

CORPORATE GOVERNANCE REPORT

STOCK CODE : 2542
COMPANY NAME : RIVERVIEW RUBBER ESTATES BERHAD
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board of Directors is responsible for the long-term success of the Group and must ensure that there is a framework of effective controls, which enables risk to be assessed and managed.</p> <p>The Board is specifically responsible for:</p> <ul style="list-style-type: none"> • approval of the Group's strategy and its budgetary and business plans; • approval of significant investments and capital expenditure; • approval of annual and interim results, accounting policies and subject to shareholder approval, the appointment and remuneration of the external auditors; • declaration and payment of dividends; • changes to the Group structure and the issue of any securities; • establishing and maintaining the Group's risk appetite, system of internal control, governance and approval authorities; • monitoring executive performance and succession planning; • reviewing standards of ethics and policy in relation to health, safety, environment and community responsibilities; and • continuous education programs for the Directors, management and employees. |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.2

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman, who is independent non-executive director, is responsible for ensuring the integrity and effectiveness of the governance process of the Board and acts as a facilitator at Board meetings to ensure no Board member dominates discussion and relevant opinions amongst Board members are presented. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.3

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | There is clear segregation of responsibilities between the Chairman, who is an Independent Non-Executive Director, and the Principal Officer to ensure a balance of power and authority, such that no one individual has unfettered powers of decision. The Company does not have a position titled as "CEO", it however its principal executive officer is titled as "Senior Manager". The positions of the Chairman and Senior Manager are helmed by different individuals, namely Dr. Leong Tat Thim and Mr. Sures Naidu as Chairman and Senior Manager respectively. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.4

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company Secretaries are capable of carrying out their duties to ensure the effective functioning of the Board and have the required qualifications and experience.</p> <p>The Company Secretaries oversee the corporate secretarial functions of the Group, both in Malaysia and the region where the Group operates. They also serve and advise the Board on matters relating to compliance with relevant laws, rules and regulation, governance best practices and Directors' duties and responsibilities. These include the obligations on disclosure of interests, conflicts of interest, prohibition on dealing in securities as well as restrictions on disclosure on price sensitive information; these are in line with the recommendations of the Code. They also facilitate the timely communication of decisions and policies set by the Board to the Management, with stock exchange and other regulatory bodies.</p> <p>All Directors have unrestricted access to advice and services of the Company Secretary who ensures that the Board receives appropriate and timely information for its decision making, that Board procedures are followed and all the statutory and regulatory requirements are met. The Company Secretary ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Chairman in conjunction with the Company Secretary draws up the agenda, which is circulated together with the relevant support papers, at least seven (7) days prior to each meeting to enable the Directors to have full and timely access to all relevant information to aid their decision-making and to obtain further information, if necessary.</p> <p>The Company Secretary ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>This Charter which was first adopted in 2012. The Charter in its current form was reviewed, updated and adopted on 25 February 2020. The Board will continue to do so, taking cognizance of the relevant changes to policies, procedures and processes as well as to reflect changes in the regulatory environment.</p> <p>The Charter is available on the Company's website at www.riverview.com.my.</p> <p>The Charter covers the following areas:</p> <ul style="list-style-type: none"> • Objectives; • Composition and board balance; • Nomination, appointments and re-election; • Roles & responsibilities; • Ethics; • Roles of committees; • Meetings; • Performance; • Training & induction; • Remuneration policies; • Supply of information; and • Financial reporting. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The principles adopted by the Directors are based on moral duty, sincerity, integrity and responsibility. The Directors observe a code of ethics in accordance with that expected from each of their respective professional bodies and the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.</p> <p>These principles include:</p> <ul style="list-style-type: none">• prohibitions on using their position for personal gain;• prohibitions on improper business practices;• a requirement for compliance with all internal approval and authorisation procedures and legal requirements; and• a requirement to disclose potential conflicts of interest and potential related party contracts. <p>Mohd. Razali bin Mohd. Amin is the Senior Independent Director and is available should there be concerns that cannot be resolved through normal channels involving the Principal Officer, Senior Management or the Chairman. He can be contacted via email at ac.chairman@riverview.com.my</p> <p>This Code of Conduct and Ethics which was updated and adopted on 25 February 2020 is available on the Company's website.</p> <p>The Board also adopted/updated the following on 25 February 2020:</p> <ul style="list-style-type: none">• Gifts, Entertainment & Hospitality Policy;• Whistleblowing Policy; and• Anti Bribery & Corruption Policy. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |

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| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>To reinforce the practice of governance and ethics, the Group has a whistle blowing policy to provide an avenue for stakeholders and employees to raise genuine concerns internally or report and suspected wrongdoings, this includes fraud, misappropriation of assets, breaches of trusts or law, including the Group's policies and procedures to the Chairman of the Audit Committee without fear of reprisal. Concerns should be raised with the immediate superior; if for any reason this is not possible or inappropriate, the concern should be raised to the Principal Officer as follows:</p> <p>Mr. Sures Naidu whistleblowing@riverview.com.my Mark : Strictly Confidential Riverview Rubber Estates Berhad 33 (1st Floor), Jalan Dato' Maharajalela, 30000 Ipoh, Perak</p> <p>In the event where reporting to the Management is a concern, the report should be addressed to the Chairman of the Audit Committee as follows:</p> <p>En. Mohd. Razali bin Mohd. Amin ac.chairman@riverview.com.my Mark : Strictly Confidential Riverview Rubber Estates Berhad 33 (1st Floor), Jalan Dato' Maharajalela, 30000 Ipoh, Perak</p> <p>The Whistleblowing Policy was updated and adopted on 25 February 2020.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |

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| Timeframe | : | | |
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Intended Outcome

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

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Board consist four (4) members, all of whom are Non-Executive Directors, including the Chairman. Two (2) of the Directors on the Board are independent. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.2

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

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

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| Application | : | Not applicable - No independent director(s) serving beyond 9 years | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

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

Practice 4.4

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximise the effectiveness of the Board. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Appointments to the Board are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board,. This process is led by the Committee which, after evaluating the balance of skills, knowledge and experience of each Director, makes recommendations to the Board. The Board's appointments reinforce the Board's principle that appointments are made on merit, in line with its current and future requirements, and reflect the size of the Group. | |
| | | Should there be a vacancy on the Board, the Directors will take into consideration the gender diversity. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The appointment of Board Members is based on who best is able to serve the Company, the Board and major shareholders did not limit themselves to existing individuals, this was reflected in the appointment of the Independent Directors in 2014. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman of the Nomination Committee is Dr. Leong Tat Thim, and Independent Non-Executive Director. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |
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Intended Outcome

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

Practice 5.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>In the Annual Report, it is disclosed that an internal performance assessment was undertaken by the Board during the year, as the Board believes that it has the appropriate resources and experience to undertake such reviews. The Chairman acted as the sponsor of the evaluation process and each Director was required to score a detailed questionnaire for review by the Committee and the Board, feedback and suggestions can be made through the comments section. The results of the assessment are discussed and reviewed by the Committee and presented to the Board together with recommendations, if any. The purpose of the assessment is to evaluate the performance of the Board and its Committees as well as to address the areas for improvement. The Company Secretary acted as facilitator to the Board and issues arising from the process were evaluated and acted upon.</p> <p>The assessment was designed to evaluate the quality of the Board's structure, working dynamics and succession planning. In its Annual Report, the Board disclosed that it is satisfied about the balance, and effectiveness and commitment of each Director and that the Board is able to operate effectively.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The policies and procedures are disclosed in the Annual Report, they include:</p> <ul style="list-style-type: none"> • Determining and agreeing with the Board the policy for the remuneration of the Principal Officer, Chairman, Management Officers and such members of the staff that it chooses to consider; • Reviewing remuneration trends across the Group including the salary increases proposed annually for all Group employees; • Appointment and termination agreements for senior management; and • Determining targets for bonuses. <p>These are reviewed annually and will be made available on the Company's website.</p> <p>The Terms of Reference of the Remuneration Committee were updated on 25 February 2020 and is made available on the Company's website.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Remuneration Committee comprise exclusively of three (3) Non-Executive Directors, two (2) of whom are Independent.</p> <p>The Remuneration Committee carries out the annual review of the overall remuneration in determining the remuneration packages and terms of service, the Remuneration Committee has had regard to the size and operations of the Group, the recruitment, retention and incentivisation of high quality Directors and Management. It must offer rewards which, on the basis of above average performance, offer rewards that are comparable to the industry.</p> <p>The Terms of Reference of the Remuneration Committee were updated on 25 February 2020 and is made available on the Company's website.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The detailed remuneration disclosure on an individual basis is disclosed in the Annual Report. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.2

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

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| Application | : | Not applicable - Step Up 7.3 adopted | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.3 - Step Up

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

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairmain of the Board is Dr. Leong Tat Thim The Chairman of the Audit Committee is En. Mohd Razali bin Mohd Amin | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Company's policy is that should a former audit partner of a firm involved in the audit of the Company be appointed to the Board, the consideration for independence will be in line with the definition of an Independent Director in Section 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad and PN No. 13 (Revised January 2018). This person will not be appointed to the Audit Committee for at least after the date of the initial appointment as a Director. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit Committee ability to carry out its duties are stated in its Terms of Reference which is disclosed in full in the Annual Report.</p> <p>The Committee is authorised to investigate any matter within its terms of reference and all employees are directed to cooperate with any request made by the Committee.</p> <p>The Committee has full and unrestricted access to any information pertaining to the Company. The Committee shall have direct communication channels with the Internal and External Auditors.</p> <p>The Audit Committee meet with the External Auditors twice without the presence of the Principal Officer and Officer In-Charge of Finance. They also presented their written assurance on their independence through their Audit Plan and Report to the Audit Committee.</p> <p>The Audit and Risk Management Committee was renamed the Audit Committee on 5 December 2019. This came into effect with the formation of a separate Risk Management Committee on 5 December 2019. Prior to the formation of the Risk Management Committee, the oversight of the Group's risk management framework and policies were carried out by the Audit and Risk Management Committee.</p> <p>The Terms of Reference of the Audit Committee were updated on 25 February 2020 and is made available on the Company's website.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

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| Application : | Not Adopted |
| Explanation on adoption of the practice : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman is a member of the Malaysian Institute of Accountants and was previously the regional finance director of a multi-national company.</p> <p>The second member was previously the chief executive officer of a company listed on Bursa Malaysia.</p> <p>The third member was previously a partner in a private equity company listed on the London Stock Exchange and was regulated by the United Kingdom Financial Conduct Authority.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

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|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has such a frame work in place and has delegated to the Audit Committee and the Risk Management Committee responsibility for overseeing the financial reporting, internal risk management and internal control functions.</p> <p>The framework can be seen through the Statement on Risk Management and Internal Control as well as the Audit Committee and Risk Management Committee Report, both of which are included in the Annual Report.</p> <p>The Risk Management Committee was formed on 5 December 2019. This came into effect with the separation of the The Audit and Risk Management Committee. Prior to the formation of the Risk Management Committee, the oversight of the Group's risk management framework and policies were carried out by the Audit and Risk Management Committee.</p> <p>The Terms of Reference of the Risk Management Committee were adopted on 25 February 2020 and is made available on the Company's website.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The features of the framework can be seen through the Statement on Risk Management and Internal Control as well as the Audit Committee and Risk Management Committee Report, both of which are included in the Annual Report.</p> <p>The Risk Management Committee was formed on 5 December 2019. This came into effect with the separation of the The Audit and Risk Management Committee. Prior to the formation of the Risk Management Committee, the oversight of the Group’s risk management framework and policies were carried out by the Audit and Risk Management Committee.</p> <p>The Terms of Reference of the Risk Management Committee were adopted on 25 February 2020 and is made available on the Company’s website.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

| | | |
|--|---|--|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | <p>The Risk Management Committee comprise exclusively of three (3) Non-Executive Directors, two (2) of whom are Independent.</p> <p>The Risk Management Committee was formed on 5 December 2019. This came into effect with the separation of the The Audit and Risk Management Committee. Prior to the formation of the Risk Management Committee, the oversight of the Group's risk management framework and policies were carried out by the Audit and Risk Management Committee.</p> <p>The Terms of Reference of the Risk Management Committee were adopted on 25 February 2020 and is made available on the Company's website.</p> |

Intended Outcome

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

Practice 10.1

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Audit Committee is supported by outsourced internal audit service providers (“Internal Auditors”) who provide independent assurance on the adequacy and integrity of the risk management, internal control and governance processes. The out-sourced internal audit function meets the requirements of the Guidelines on Internal Audit Function released by the Institute of Internal Auditors Malaysia. The Terms of Reference of the Audit Committee were adopted on 25 February 2020 and is made available on the Company’s website. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit Committee is supported by outsourced internal audit service providers (“Internal Auditors”) who provide independent assurance on the adequacy and integrity of the risk management, internal control and governance processes.</p> <p>The out-sourced internal audit function meets the requirements of the Guidelines on Internal Audit Function released by the Institute of Internal Auditors Malaysia.</p> <p>The names of the Internal Auditors are disclosed in the Annual Report.</p> <p>The Terms of Reference of the Audit Committee were adopted on 25 February 2020 and is made available on the Company’s website.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>All members of the Board receive copies of reports of the Company which it is aware of. The Non-Executive Directors, having considered the Code with regard to relations with shareholders, are of the view that it is most appropriate for the stakeholders to have dialogue with the Chairman. However, should shareholders have concerns, which they feel cannot be resolved through normal dialogue, Senior Independent Director and remaining Non-Executive Directors may be contacted upon request.</p> <p>The principal forum for dialogue with shareholders remains at the Annual General Meeting.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Company does not meet "Large Company" criteria. | |
| | | The Company strives to maintain an integrated report by including all relevant reports in its Annual Report, this includes but is not limited to the Corporate Governance Statement, Sustainability Report, Terms of References, Charter. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | In the past three years, notice of the Annual General Meeting was at least 30 days or more. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>All Board Members as well as the Principal Officer attend the Annual General Meeting, questions whether sent in prior to or raised during the meeting are addressed.</p> <p>The presence of representatives of the External Auditors at each meeting further demonstrates a high level of accountability and transparency as it enables an available response to queries regarding business operations and financial statements of the Company.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Board considers the use of technology as necessary, however in deciding to do so, it takes cognisance of the historical attendance of shareholders as well as the costs involved and the benefits derived. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

**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.

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