

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 3107  
**COMPANY NAME** : Fima Corporation Berhad  
**FINANCIAL YEAR** : March 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>	:	<ol style="list-style-type: none"><li>1. The Board is collectively responsible for meeting the objectives and goals of the Company. The Board is also mindful of the need to protect the interests of all stakeholders including shareholders.</li><li>2. In order to ensure the effective discharge of the Board's functions and responsibilities, the Board has in place the Board Charter, and has established Board Committees namely, Audit Committee and Nomination and Remuneration Committee ("NRC") with clear Terms of Reference. The Charter clearly define matters and applicable limits, including those reserved for the Board's approval, and those which the Board may delegate to the Board Committees and Managing Director which may delegate his duties to the Management. The Charter and the Board Committees' Terms of Reference are available on the Company's website <a href="http://www.fimacorp.com">www.fimacorp.com</a> under the 'Investors' section.</li><li>3. The Board meets regularly to set the overall strategic direction of the Company, reviews its operating and financial performance and provide oversight to ensure that the Company is effectively controlled and resourced. The Board met 6 times during the financial year ended ("FYE") 2018 to review and deliberate amongst others, the Group's annual budget and business plans, quarterly results and audited financial statements, quarterly group performance report on significant changes/development in the business and external environment, which affects the operations, annual performance of the Board and Board Committees including Managing Director, composition of the Board and annual Audit Plan. After consultation with the Chairman, Directors may seek in-depth professional advice, in furtherance of their duties, at the Company's expense. The Board also has access to senior management at anytime to request relevant information. Details of attendance at Board and Committees meetings during the FYE2018 are contained in the Company's Annual Report 2018.</li><li>4. The Board also had an off-site Board retreat with Management in May 2017, whereat it considered the progress of the business plans presented at the Board retreat held earlier in October 2015, and</li></ol>

	<p>deliberated on the key issues, threats and opportunities facing the Group over the next few years and to set the foundation upon which to build the Group's business plans moving forward. This off-site retreat was conducted jointly with Board of Kumpulan Fima Berhad ("KFima"), the Company's penultimate holding company.</p> <p>5. In addition to formal meetings, the Chairman and Managing Director maintains regular contact with all Directors. Summarised monthly management accounts and other updates are also sent to Non-Executive Directors to keep them informed of the events throughout the Group between Board meetings which ensure that they are kept fully advised of the latest issues affecting the Group.</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**

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>	:	<ol style="list-style-type: none"> <li>1. The Chairman of the Company is Dato' Adnan bin Shamsuddin. His profile can be viewed on page 15 of the Company's Annual Report 2018.</li> <li>2. The Chairman carries out a leadership role in the conduct of the Board and its relations with shareholders and other stakeholders. He also leads the Board in the oversight of the management as well as instilling good corporate governance practices throughout the organisation. The Chairman's roles and responsibilities are detailed out in the Board Charter which is made available on the Company's website under Investors section.</li> <li>3. The Chairman is not an executive director of the Board and has never held the position of executive director of the Company. He has never been a part of the management, thus undue influence from past association is not a concern.</li> <li>4. The Chairman ensures orderly conduct and proceedings of the Board meeting and Annual General Meeting and is responsible for managing the business of the Board to ensure that all Directors are properly briefed on issues arising at Board meetings.</li> </ol>	
<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>	:	<ol style="list-style-type: none"><li>1. The Chairman and Managing Director's positions are held by separate individuals and their roles and responsibilities are distinct as stated in the Board Charter, which is published in the Company's website under 'Investors' section.</li><li>2. Dato' Adnan bin Shamsuddin, the Company's Chairman, is responsible for the effectiveness and overall functioning of the Board. Dato' Roslan bin Hamir ("Dato' Roslan"), the Company's Managing Director, is responsible to ensure the smooth running of the Company's day-to-day operations. Dato' Roslan is responsible for the implementation of board policies approved by the Board and is required to report and discuss at Board and/or Board Committees meetings all material issues currently or potentially affecting the Group and its performance. When necessary, senior management is also invited to join in Board and/or Board Committees meetings to provide explanation or engage in dialogue with Board members on agenda items being discussed in order for the Board and/or Board Committees to make an informed decision.</li></ol> <p>The profile of Dato' Roslan is set out in the 'Profile of Directors' section of the Company's Annual Report 2018 and is available on the Company's website under 'About Us' section.</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>	:	<ol style="list-style-type: none"><li>1. Currently, there are 2 Company Secretaries who hold the relevant qualifications to act as company secretaries; 1 holds a licence issued by the Companies Commission of Malaysia and the other is a member of the Malaysian Institute of Accountants. Both are qualified to act as company secretary under Section 235(2) of the Companies Act, 2016.</li><li>2. All Directors have access to the advice and services of the Company Secretaries.</li><li>3. The Company Secretaries have oversight on overall corporate secretarial functions of the Group, both in Malaysia and the regions where the Group operates.</li><li>4. The role of the Company Secretaries include the following:<ul style="list-style-type: none"><li>• Advise the Board on its roles and responsibilities.</li><li>• Advise the Board on various matters relating to compliance with the relevant laws, rules and regulation as well as governance best practices.</li><li>• Advise the Board on disclosure requirements relating to material information to shareholders and regulators in a timely manner.</li><li>• Advise the Board and management of their duties and responsibilities and obligations to disclose their interest in Company securities, prohibition on dealing of securities during the closed period, restriction on disclosure of price sensitive information, disclosure of any conflict of interest and related party transaction as well as disclosure of necessary information as required under the relevant laws and regulations.</li><li>• Assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.</li><li>• Facilitate the orientation of new directors and assist in directors' training and development.</li><li>• Manage Board and Board Committees meetings, attend and record minutes of meetings.</li><li>• Ensure that the decisions of the Board and Board Committees are relayed to Management to act upon.</li><li>• Manage processes relating to the general meetings.</li><li>• Carry out other functions as deemed appropriate by the Board from time to time.</li></ul></li></ol>

	<p>5. The Company Secretaries, in keeping abreast with the latest developments of all relevant laws/requirements did attend various external and internal courses/trainings organised during the FYE2018 as bellows:</p> <ul style="list-style-type: none"> <li>• Latest Updates on Directors’ Remuneration in Compliance with The New Companies Act and The Upcoming Amendments to the Listing Requirements Seminar.</li> <li>• MAICSA Annual Conference 2017 Companies Act 2016 – A Paradigm Shift.</li> <li>• MCCG and Bursa’s Listing Requirements: Towards Meaningful Disclosure.</li> <li>• 13th Indonesian Palm Oil Conference and 2018 Price Outlook Growth through Productivity: Partnerships with Smallholders.</li> <li>• Good Manufacturing Practice – Training for Food Industry.</li> <li>• Autocount Accounting, Budget &amp; Fixed Asset Module.</li> <li>• CPA Congress 2017 – Connecting the Biggest Minds.</li> <li>• Advocacy Sessions to Enhance Quality of Management Discussion &amp; Analysis for CEO and CFO of Listed Issuers.</li> <li>• CFO Dialogue 2017 – The New Business As Usual: Globalisation. Digitalisation. Disruption.</li> <li>• First Aid training.</li> </ul> <p>The profiles of the Company Secretaries are disclosed in the Profile of Key Senior Management section of the Company’s Annual Report 2018.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### Intended Outcome

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

### Practice 1.5

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>	:	<ol style="list-style-type: none"><li>1. The annual meeting calendar is prepared and circulated in advance before the beginning of the new financial year to ensure directors are able to plan their schedule appropriately.</li><li>2. The agendas and meeting papers are distributed to the Board and Board Committee members in a timely manner prior to all Board and Board Committees meetings to allow sufficient time for appropriate review to facilitate productive discussions at the meetings.</li><li>3. Minutes of the Board and Board Committees meetings are distributed in a timely manner to the members. The Board may seek clarifications of the minutes or request for any amendment before the minutes are confirmed as true and correct record at the next Board and Board Committees meeting. Items identified as matters arising would be further discussed at the next Board and Board Committees meetings.</li></ol>
<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>1. The Board has formally adopted a Board Charter, which provides guidance to the Board in the fulfilment of its roles, duties and responsibilities. The Board Charter outlines:</p> <ul style="list-style-type: none"> <li>• the composition of the Board;</li> <li>• the establishment of the Board Committees;</li> <li>• the roles and responsibilities of the Board and individual directors;</li> <li>• schedule matters reserved for the Board;</li> <li>• separation of functions between the Chairman of the Board and the Managing Director;</li> <li>• independence of directors;</li> <li>• details on Board meetings and general meetings;</li> <li>• Board and Board Committees annual assessment;</li> <li>• access to information, advice and training; and</li> <li>• maintaining integrity and compliance with ethical standards.</li> </ul> <p>The Board Charter was last reviewed on 28 May 2018. The Board Charter is available on the Company's website under 'Investors' section.</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>	:	<ol style="list-style-type: none"><li>1. In addition to the Board Charter, the Board observes the following:<ul style="list-style-type: none"><li>• The Companies Act, 2016; and</li><li>• The Code of Ethics for Company Directors issued by the Companies Commission of Malaysia.</li></ul></li><li>2. The foregoing provides guidance for proper standards of conduct and sound and prudent business practices as well as standard of ethical behaviour for Directors, based on principles of integrity, responsibility, sincerity and corporate social responsibility.</li><li>3. The standard code of conduct and ethical behaviour for employees are clearly outlined in the Employee Handbook.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. In 2011, the Board has established a Whistle Blowing Policy to promote responsible corporate conduct across the Group. There are clear policies and procedures on whistleblowing that is made available on the Company’s website under ‘Investors’ section.</li> <li>2. The policy is intended to encourage employees and stakeholders to report actual or perceived unethical or illegal conduct perpetrated against the Company with the understanding that confidentiality will be maintained without any fear for their position.</li> <li>3. All whistleblowing complaints received are followed-up and reported to Management. In cases where the complaints are substantiated, the matter will be reported to Audit Committee and appropriate actions are taken, including changes in internal controls where necessary. Any proven serious violations/misconduct may result in domestic inquiry, suspension or dismissal.</li> </ol>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. The Board comprises of 5 Directors, the majority of whom are Independent Directors. 3 Directors are Independent Non-Executive Directors, 1 Non-Independent Non-Executive Director and 1 Executive Non-Independent Director. The Board current composition is in compliance with Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") as 3 Board members are Independent Directors.</li><li>2. The Board, through the board effectiveness evaluation, annually assesses the independence of each Independent Director and has determined that each Independent Director is, and was throughout the FYE2018, independent. The Board considers a Director to be independent if the Director has fulfilled the criteria of an independent director as prescribed in the Listing Requirements of Bursa Malaysia.</li></ol>
<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>	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	<ol style="list-style-type: none"><li>1. Independence is determined by ensuring that, apart from receiving their fees for acting as Directors, Independent Non-Executive Directors ("INED") do not have any other material relationship or additional remuneration from, or transactions with, the Group, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect, or could appear to affect, their independence of judgement.</li><li>2. The Board has in place criteria, which is in line with the Listing Requirements of Bursa Malaysia and as defined in the Board Charter, for the assessment of the independence of Independent Directors. The Independent Directors are expected to inform the Board, at any time when circumstances arise which could interfere with their exercise of independent judgment, and objectivity or their ability to act in the best interest of the Company.</li><li>3. The Board adopted Practice 4.2 whereby any retention of INED who served for more than 9 years is to be put up for shareholders' consideration.</li><li>4. The NRC and the Board, through the annual assessment carried out for the FYE2018, concluded that the 3 INEDs remain independent and recommended them to continue to act as Independent Non-Executive Directors based on the following justifications:-<ul style="list-style-type: none"><li>• have fulfilled the criteria of an Independent Director as defined in the Listing Requirements of Bursa Malaysia, and therefore is able to bring independent and objective judgement to the Board;</li><li>• have provided effective check and balance in the proceedings of the Board and the Board Committees;</li><li>• have provided objectivity in decision making through unbiased and independent views as well as advice and judgement, to the Board;</li><li>• have contributed sufficient time and effort and attended all the Committee and Board meetings for an informed and balanced decision making; and</li></ul></li></ol>

	<ul style="list-style-type: none"> <li>• have exercised due care during their tenure as Independent Non-Executive Director of the Company and carried out professional duties in the interest of the Company and shareholders.</li> </ul> <p>5. The Company will be seeking shareholders' approval at the forthcoming Annual General Meeting for the 2 Directors, Dato' Adnan bin Shamsuddin and Encik Rezal Zain bin Abdul Rashid who have served on the Board for a cumulative term of more than 9 years, to continue to act as INED.</p> <p>6. On 13 July 2018, the Company announced that Datuk Alias bin Ali will be retiring from his position as Independent Non-Executive Director of the Company upon the conclusion of Company's forthcoming Annual General Meeting.</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 4.3 - 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>	:	<ol style="list-style-type: none"><li>1. The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the NRC. The NRC will consider the required mix of skills, experience and diversity, including gender, where appropriate, which the Director bring to the Board.</li><li>2. The NRC is also delegated with the role of screening and conducting an initial selection, which includes an external and independent search on candidates for appointment to the following positions in the Company and its Group, taking into consideration the candidate's skills, experience, character and integrity to discharge his/her duties and responsibilities before making a recommendation to the Board:<ul style="list-style-type: none"><li>• Executive/Managing Director of the Company;</li><li>• Executive and Non-Executive Director(s) of subsidiaries;</li><li>• Nominee Non-Executive Director(s) of associated companies; and</li><li>• Key Management Personnel of the Group.</li></ul></li><li>3. During FYE2018, Susan Lee Mo Leng retired from her position as Chief Financial Officer and Company Secretary. Succeeding him is Fadzil bin Azaha ("Fadzil"), who has been with KFima since January 2016. The Company has also appointed Muhammad Fadzilah bin Abdul Rafar as Financial Controller to take over the Group's finance functions.</li><li>4. The NRC has initiated the process to refresh the Board composition and appoint new Non-Executive Directors with the required requisite competence and skill sets. This will continue to be a priority for the Board in the financial year ("FY") 2018/19.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	



<b>Timeframe</b>	:		
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### Intended Outcome

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>	:	1. The Board acknowledges the importance of boardroom diversity in its membership which includes gender, ethnicity and age. Presently, the Board does not set specific targets on gender diversity for the Company but endeavour to improve the number of women Directors on the Board, based on pre-determined skill sets and competencies.	
		3. The NRC is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriate qualified persons to occupy Board positions. The NRC has initiated a process to identify new Non-Executive Directors to strengthen the Board with particular focus on gender diversity and succession requirements. The Board's overriding aim is to appoint the right directors with the desired competencies and expertise to the Board to drive Group's strategies forward. This pursuit will continue to be a priority on the Board agenda in the FY2018/19.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board uses a variety of sources for the identification of suitable candidates for appointment to the Board. In addition to the recommendations from existing Board members and Management, external search agencies have been engaged for the fielding of candidates for nomination.	
<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>	:	<ol style="list-style-type: none"> <li>1. The Chairman of the NRC is Datuk Alias bin Ali, who is an Independent Non-Executive Director.</li> <li>2. The profile of the NRC Chairman is found in the Profile of Directors section of the Company's Annual Report 2018.</li> </ol>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. A detailed self-assessment is undertaken every year to review the effectiveness of the Board, Committees and individual Directors. The objective of the assessment is to track the Directors' discharge of their roles and responsibilities, areas for improvement, areas that need more attention, and to overall assess the effectiveness of the Board, Committees and individual Directors. For FYE2018, the exercise was conducted internally by the Company Secretaries in April 2018.</li><li>2. The Board assessment included, inter-alia, the Board's roles and responsibilities, Board structure and operation and management relationship. The assessment is also included a general feedback on any areas for improvement.</li><li>3. The Board Committees were, inter-alia, assessed based on their roles and scope, frequency and length of meetings, quality of training/briefing provided to the Committees, Committees' chair in discharging their responsibilities, supply of sufficient and timely information to the Board and their overall effectiveness and efficiency in discharging their functions.</li><li>4. The individual Directors each undertook self-assessment of their individual performance during the FYE2018 based on character, experience, integrity, competence and time in order to discharge their respective roles as Directors of the Company.</li><li>5. The results of the performance evaluation exercise are collected, analysed and presented to the NRC. The NRC reviews and recommends to the Board the follow-up actions required to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Group. The findings from these questionnaires will form the basis of evaluation reports for the Board and its Committees.</li></ol>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. The remuneration of Directors is reviewed by the NRC prior to making its recommendation to the Board for approval. Factors such as the Directors duties and responsibilities as directors and members of Committees, time commitment and other matters are considered. The guidelines for determining the level of remuneration for Directors are clearly defined in the NRC's Terms of Reference which is available on the Company's website under 'Investors' section.</li> <li>2. The performance of the Managing Director and senior management are reviewed annually by the NRC, and recommendations are submitted to the Board on specific adjustments in their remuneration and/or reward payments, reflecting their contributions for the year as well as the performance of the Company.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. The Remuneration Committee was established on 28 August 2001. On 24 May 2017, the Remuneration Committee was combined as the NRC for the purpose of convenience and practicality.</li><li>2. The NRC is governed by a detailed Terms of Reference to ensure that remunerations of Directors and senior management are in line with market practice, competitive, performance-based and in line with corporate objectives and strategy.</li></ol> <p>The NRC Terms of Reference is available on the Company's website under the 'Investors' section.</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>	:	The detailed fees and benefits in kind paid and payable to individual Directors are disclosed in the Company's Annual Report 2018 under the Corporate Governance Overview Statement.	
<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 NRC and Board are of the view that the disclosures of senior management's remuneration that include 5 key management personnel in the Audited Financial Statements are adequate as it complies with the requirement of Paragraph 17 of FRS 124.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. Encik Rezal Zain bin Abdul Rashid, a Senior Independent Non-Executive Director was appointed as Chairman of Audit Committee on 26 August 2004. He is a member of Malaysia Institute of Accountants and Certified Public Accountants of Australia.</li> <li>2. He is not the Chairman of the Board.</li> <li>3. He also serves as Chairman of Risk Management Committee, a sub-committee of the Audit Committee and Group Sustainability Committee.</li> </ol>	
<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>	:	During the FYE2018, none of the Audit Committee members are former key audit partners within the cooling-off period of at least 2 years. The profiles of Audit Committee members are disclosed in the Profile of Directors section of the 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

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>	:	<ol style="list-style-type: none"><li>1. The Audit Committee has reviewed the cost effectiveness, independence, objectivity and expertise of the external auditors annually via a detailed questionnaires as well as the feedback from the business units evaluating the performance of each assigned audit team. Following the review, the Audit Committee had recommended to the Board that Hanafiah Raslan &amp; Mohamad be re-appointed as the Company's external auditors for financial year ending 31 March 2019.</li><li>2. In the 2018 Audit Plan tabled to the Audit Committee on 20 February 2018, the external auditors have declared that they are and have been independent throughout the conduct of the audit engagement for the Company during the financial year in accordance with the By-Laws on Professional Ethics, Conduct and Practice of the Malaysian Institute of Accountants. The 2018 Audit Plan outlines the external auditors scope of work and proposed fees for the statutory audit, assurance-related review and review of the Statement on Risk Management and Internal Control.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee comprises 3 members, all of whom are 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>	:	<ol style="list-style-type: none"> <li>Audit Committee members collectively possess a wide range of necessary skills and knowledge to discharge their duties. The Audit Committee Chairman, Encik Rezal Zain bin Abdul Rashid is a member of Malaysian Institute of Accountants and a Certified Public Accountants of Australia. The relevant qualifications and experience of each of the members of the Audit Committee are set out in the Profile of Directors in the Company's Annual Report 2018.</li> <li>All Audit Committee members have undertaken continuous professional development and during the FYE2018, the various trainings relevant to their role as Audit Committee members are listed as follows: <table border="1" data-bbox="630 1281 1407 2011"> <thead> <tr> <th>Audit Committee Member</th> <th>Training Attended</th> </tr> </thead> <tbody> <tr> <td>Rezal Zain bin Abdul Rashid (<i>Chairman</i>)</td> <td> <ul style="list-style-type: none"> <li>Audit Committee Conference 2017</li> <li>Companies Act 2016 &amp; Understanding Financial Statements for Company Directors</li> <li>Case Study Workshop for Independent Directors</li> <li>Corporate Board Symposium 2017: Enhancing Board Effectiveness &amp; Driving Governance</li> <li>13th Indonesian Palm Oil Conference and 2018 Price Outlook Growth through Productivity: Partnerships with Smallholders</li> <li>Corporate Governance Briefing Sessions: MCCG Reporting &amp; CG Guide</li> </ul> </td> </tr> <tr> <td>Dato' Adnan bin Shamsuddin (<i>Member</i>)</td> <td> <ul style="list-style-type: none"> <li>CG Breakfast Series Entitled: Integrating an Innovation Mindset with Effective Governance</li> </ul> </td> </tr> </tbody> </table> </li> </ol>	Audit Committee Member	Training Attended	Rezal Zain bin Abdul Rashid ( <i>Chairman</i> )	<ul style="list-style-type: none"> <li>Audit Committee Conference 2017</li> <li>Companies Act 2016 &amp; Understanding Financial Statements for Company Directors</li> <li>Case Study Workshop for Independent Directors</li> <li>Corporate Board Symposium 2017: Enhancing Board Effectiveness &amp; Driving Governance</li> <li>13th Indonesian Palm Oil Conference and 2018 Price Outlook Growth through Productivity: Partnerships with Smallholders</li> <li>Corporate Governance Briefing Sessions: MCCG Reporting &amp; CG Guide</li> </ul>	Dato' Adnan bin Shamsuddin ( <i>Member</i> )	<ul style="list-style-type: none"> <li>CG Breakfast Series Entitled: Integrating an Innovation Mindset with Effective Governance</li> </ul>
Audit Committee Member	Training Attended							
Rezal Zain bin Abdul Rashid ( <i>Chairman</i> )	<ul style="list-style-type: none"> <li>Audit Committee Conference 2017</li> <li>Companies Act 2016 &amp; Understanding Financial Statements for Company Directors</li> <li>Case Study Workshop for Independent Directors</li> <li>Corporate Board Symposium 2017: Enhancing Board Effectiveness &amp; Driving Governance</li> <li>13th Indonesian Palm Oil Conference and 2018 Price Outlook Growth through Productivity: Partnerships with Smallholders</li> <li>Corporate Governance Briefing Sessions: MCCG Reporting &amp; CG Guide</li> </ul>							
Dato' Adnan bin Shamsuddin ( <i>Member</i> )	<ul style="list-style-type: none"> <li>CG Breakfast Series Entitled: Integrating an Innovation Mindset with Effective Governance</li> </ul>							



			<ul style="list-style-type: none"> <li>• CG Breakfast Series Entitled: Leading Change @ The Brain</li> <li>• Corporate Governance Briefing Sessions: MCCG Reporting &amp; CG Guide</li> </ul>
		Datuk Alias bin Ali <i>(Member)</i>	<ul style="list-style-type: none"> <li>• 1 Day Conference on Corporate Integrity Pledge</li> <li>• Half Day Seminar: Governance or Lack of It!</li> <li>• Regulatory Updates on Listing Requirements (New) &amp; The Impact of Companies Act 2016 on Corporate Governance and Directors Duties</li> </ul>
		<p>3. In addition, based on the outcome of the Audit Committee effectiveness assessment of the Board Effectiveness Evaluation FYE2018, the Board is satisfied with the Audit Committee's performance as its Chairman and members possess the necessary knowledge, experience, expertise and skills which contributed to the overall effectiveness of the Audit Committee.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li data-bbox="544 667 1412 1205">1. Risk management is regarded by the Board as an important aspect of the Group's diverse and growing operations with the objective of maintaining a sound internal control system. To this end, the Group's Enterprise Risk Management ("ERM") framework is generally aligned with the principles of MS ISO 31000:2010 Risk Management – Principles and Guidelines to ensure the Group's assets are well-protected and shareholders' value enhanced. The ERM framework adopted by the Group encompasses the risk assessment process, organisational oversight and reporting function to instil the appropriate discipline and control around continuously improving risk management capabilities. Risk assessment, monitoring and review of the various risks faced by the Group are a continuous process within the key operating units with Risk Management Committee ("RMC") which is a sub-committee of the Audit Committee, playing a pivotal oversight function.</li><li data-bbox="544 1205 1412 1285">2. The RMC comprises the directors from the Board of the Company and KFima and the Company's Chief Operating Officer.</li><li data-bbox="544 1285 1412 1442">3. The Group's business units identifies the present and potential critical risks the Group faces including their action plans to manage these risks which the same are presented at the RMC's meeting by the Group Internal Audit.</li><li data-bbox="544 1442 1412 1644">4. RMC meets on a yearly basis and reviews the risk exposures of the business units in respect to its business areas, operations, and finance and ensures that the risk management mechanisms and responses are adequate relative to the Group's strategy and objectives.</li><li data-bbox="544 1644 1412 1756">5. The Group shares the resources of the Group Internal Audit Department of KFima ("GIA"). The Group's internal audit function is therefore performed with impartiality and due professional care.</li><li data-bbox="544 1756 1412 1982">6. Notwithstanding, the Board retains the overall risk management responsibility in accordance with best practice of the MCCG, which requires the Board to identify principal risks and ensure the implementation of appropriate systems to manage these risks.</li></ol>

	Further details of the risk management and internal control frameworks can be found under the Statement on Risk Management and Internal Controls, at pages 71 to 78 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

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>	:	<ol style="list-style-type: none"><li>1. The Group's risk management framework is generally aligned with the principles of MS ISO 31000:2010 Risk Management – Principles and Guidelines, encompassing the features such as risk management processes, organizational oversight i.e. the accountability and responsibility for each reporting functions, and continual improvement of the framework. The framework provides the foundation and arrangement for the Group in managing the risks adequately. Systematic approach and process in managing risks and risk mitigation plans such as risks identification, evaluating, treating, monitoring, reviewing and reporting have been developed and further defined in the risk management policies and procedures which offers guide to risk owners in implementing effective and efficient risk management aligned with the business objectives.</li><li>2. The analysis and evaluation of risks are guided by the Group's top six (6) broad risk areas of which are business and operational sustainability risk, environment risk, financial risk, compliance risk and safety, health &amp; environment risk and human resource. Each broad risk contained sub-broad risks that further explains the nature and the extent of the risks in term of the likelihood and magnitude of impact which were determined through the risk matrix assessment exercise.</li><li>3. The ERM assessment was conducted through a combination of workshops and interviews involving senior management and the key enterprise risks faced by the Group's business units. Detailed risk registers, risk parameters and ERM reports were prepared and consistently reviewed to ensure suitability and practicality. These reports were summarised and used as the basis of preparation for business action plans and improvement strategies, developing cost effective control strategies and prioritisation of areas for operational audit.</li><li>4. GIA has been entrusted by the RMC to facilitate the implementation of ERM activities across the Group together with the Risk Management Unit (RMU) at the respective subsidiaries. Results were then communicated to RMC in the meeting held annually and to the Audit Committee.</li></ol>

	Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group is provided at pages 71 to 72 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**

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

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

**Practice 9.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. The Audit Committee is supported by the GIA of KFima which provides independent appraisal on the adequacy, efficiency and effectiveness of risk management, internal control and governance processes implemented by the business units.</li> <li>2. GIA reports directly to the Audit Committee to ensure impartiality and independence. GIA communicates to management on audit observations noted in the course of their review and performs monitoring on the status of actions taken by the operating units. GIA is governed by a Charter approved by the Audit Committee that sets out the purpose, roles, scope and responsibilities of the GIA.</li> <li>3. GIA's responsibilities include providing reports to the Audit Committee and raising any significant issues with the Audit Committee at the Audit Committee meeting held on a quarterly basis. Matters of concerns raised by the Audit Committee at the meeting were minuted and documented by the Company Secretary. Through the Audit Committee meetings, Audit Committee reviews the effectiveness of audit activities including audit follow-ups, the approved Annual Audit Plan, resources, training and budget as well as other matters related to internal auditing.</li> </ol> <p>Further details of the internal audit function can be found in the Statement on Risk Management and Internal Controls at pages 72 to 73 of the Company's Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies 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>	<ol style="list-style-type: none"> <li>1. GIA is independent of the Group’s business operations and has a mandate set out in its Audit Charter approved by the Audit Committee. GIA performed its audit functions in accordance with the guidelines of the Institute of Internal Auditors Malaysia (“IIAM”) and the annual Audit Plan approved by the Audit Committee each year. The Audit Plan covers the scope of the audit work and resources needed to perform such work.</li> <li>2. The Internal Audit Charter emphasize on its independency and objectivity and shall remain free from interference by any elements in the Group. GIA has no direct operational responsibility or authority over any of the activities audited.</li> <li>3. Declaration on the relationship status of GIA personnel with any members within the KFima Group and parties having business relationship with the Group is made during the recruitment process handled by the Group Human Resource &amp; Administration Department (“GHR”), KFima. All GIA personnel have confirmed that they are free from any relationships or conflicts of interest, which could impair their objectivity and independence. Name and qualifications such as academic and professional qualifications were disclosed/provided during the recruitment process and vetted by the GHR. Such information was documented and made available for reference. This is in line with the requirements of the Company’s Code of Conduct and Employee Handbook.</li> <li>4. GIA consists of 5 executives, all of whom are qualified and possess the required expertise and experience. In addition, 2 of the executives are members of the IIAM. GIA through the Audit Committee meeting regularly updates and notified the Audit Committee number of current GIA resources and the status of current and future internal audit activities. GIA personnel constantly keep themselves abreast with developments in the profession, relevant industry and regulations through attendance at conference/trainings/seminars.</li> <li>5. GIA is headed by Encik Muhammed Erman bin Mat Zoki who has over 11 years of working experience in the areas of audit and risk management. He was appointed as Senior Manager, GIA on 19</li> </ol>



	<p>February 2018. He holds a Bachelor Degree in Accountancy (Honours) from Universiti Utara Malaysia (UUM) and International Certificate of Risk Management (ICRM) from the Institute of Risk Management (IRM). He is also a member of the IIAM.</p> <p>6. GIA activities are carried out in accordance with the approved annual Audit Plan and audit manual requirements.</p> <p>7. KFima has engaged the IIAM to undertake a quality assurance review of GIA which was conducted from 12 to 16 March 2018. The review was conducted to evaluate the efficiency and effectiveness of the GIA activity and identifies opportunities for improvement as well as to determine the conformance of the activities with the International Professional Practices Framework Standard (IPPF) issued by the IIAM. The results of the review are collected, analysed and presented to the Audit Committee together with the follow-up actions/actions that have been taken by the GIA.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

### Intended Outcome

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>	:	<ol style="list-style-type: none"><li>1. The Company has in place a Corporate Disclosure Policy to provide the Group with appropriate guidance to discharge its disclosure obligations and ensure that all communications to the public by the Company are timely, complete and accurate in accordance with all applicable laws and regulations. The Corporate Disclosure Policy is available on the Company's website under 'Investors' section.</li><li>2. The Board also believes that constructive and effective investor relations are essential in enhancing shareholder value and recognises the importance of timely dissemination of information to shareholders and other stakeholders. Such information is communicated through the Company's general meetings, annual reports, circular to shareholders, various disclosures and announcements to Bursa Malaysia.</li><li>3. Apart from the Company's announcements through Bursa Malaysia, the Company's corporate website is the primary source of information for investors. It houses the Company's corporate profile, individual profiles of Directors and senior management, financial results, annual reports, corporate governance related policies and the Company's operations and major subsidiaries.</li></ol>
<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>	:	Choose an item.	
<b>Explanation on application of the practice</b>	:	N/A	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	For the Company's 43 <sup>rd</sup> Annual General Meeting ("AGM") to be held on 30 August 2018, the Notice of 43 <sup>rd</sup> AGM is issued and dated on 31 July 2018 which is more than 28 days prior to the AGM date to comply with the best practice recommended by MCG.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. At the Company's 42<sup>nd</sup> AGM held on 23 August 2017, all Directors including the Chair of Board Committees were present in person to engage directly with shareholders and proxies.</li> <li>2. During the AGM, the Chairman invited members to raise any questions on the agenda items tabled. Members have encouragingly taken the opportunity to raise questions on the agenda items of the AGM. Appropriate answers/respond are provided by the Chairman and Managing Director in order to allow the members to make informed voting decisions at the AGM.</li> </ol>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>While the Company is supportive of any technology that allows shareholders' participation at AGMs remotely and in absentia, the Company would first need to put in place the appropriate e-platforms and technology before implementing this.</p> <p>Presently, shareholders are allowed to appoint any person as their proxies to attend, participate, speak and vote in his/her stead at a general meetings.</p> <p>The Company's 42<sup>nd</sup> AGM was held at the Bukit Kiara Equestrian &amp; Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur. This venue was easily accessible as it was familiar to most shareholders of the Company since several past AGMs were held at the same venue.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable
<b>Timeframe</b>	:	Others

**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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