

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5073  
**COMPANY NAME** : Naim Holdings 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.

|   |   |  |
|---|---|--|
| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Board of Directors plays a vital role in corporate governance. The Board endorses the overall direction of the Group, sets the Group's values and standards, approves the Group's long term objectives, strategies, policies, annual budgets and major capital expenditures and ensures accountability to the shareholders, the relevant authorities and other stakeholders.</p> <p>The Board is also responsible for the review of performance of the Group's strategies, objectives, business plans and budgets, and has oversight of the Group's operations and management.</p> <p>The Executive Directors and management are responsible for implementing operational and corporate decisions while the Non-Executive and Independent Directors ensure corporate accountability by providing unbiased and independent views, advice and judgement and challenging the Managements' assumptions and projections in safeguarding the interests of the shareholders.</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.

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>Datuk Amar Abdul Hamed Bin Haji Sepawi, 70, is the Non-Executive Chairman of the Board. His profile can be viewed on page 20 of the Company's 2019 Annual Report. He provides leadership to the Board and ensures the Board carries out its responsibilities effectively.</p> <p>The detailed roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Corporate's website at <a href="http://www.naim.com.my">www.naim.com.my</a></p> |  |
| <b>Explanation for departure</b>   | : |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

### Intended Outcome

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

### Practice 1.3

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

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|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The positions of the Chairman and the Managing Director are held by different individuals.<br><br>The Chairmanship of the Company is held by Datuk Amar Abdul Hamed Bin Haji Sepawi, an Non-Independent Non-Executive Director, whilst Datuk Hasmi Bin Hasnan is the Managing Director of the Company. |  |
| <b>Explanation for departure</b>   | : |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

### Intended Outcome

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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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The company secretaries are responsible for advising the Board on issues relating to corporate compliance affecting the Board and the Group. They are also responsible for advising the Directors of their obligations and duties to disclose their interests in securities, conflict of interest in transactions, prohibition on dealing in securities during closed period and prohibition on disclosure of price-sensitive information. All directors and senior management have access to the advice and services of the company secretaries.</p> <p>The qualifications of the Company Secretaries are as follows:-</p> <p><b>Ms Bong Siu Lian</b>, a Fellow of the Malaysian Institute of Chartered Secretaries &amp; Administrators, who has more than 30 years of experience in the field.</p> <p><b>Ms Hasmiah Binti Anthony Hasbi</b>, holds a LLB (Hons.) degree from Middlesex University, United Kingdom and MBA from UiTM. She is a member of Advocates' Association of Sarawak with 20 years of work experience.</p> <p>During the financial year 2019, the Company Secretaries attended various trainings and seminars to keep abreast with changes in law and regulations.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

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

**Practice 1.5**

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

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>In order for the Board to deliberate effectively on the agenda of the meetings, relevant meeting papers or proposals are furnished prior to and in advance of each meeting. This enables the Board to study the facts and have productive discussion before making an informed decision at the meeting. Presentations are scheduled during Board and Committee meetings by management and/or consultants and advisors in order to provide the Board with proper understanding of, and competence to deal with, the current and emerging issues of the Group's businesses.</p> <p>Minutes of each Board meeting are circulated to all Directors for their review prior to their confirmation. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation as being a correct record of the Board's proceedings. All conclusions of the Board meetings are duly recorded and the minutes are kept by the Company Secretaries.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

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

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

**Practice 2.1**

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

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

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board has formalised and adopted a Board Charter. The Board Charter sets out the objectives, roles, responsibilities, functions and composition of the Board. It also outlines the processes and procedures for the Board and its committees in discharging their stewardship effectively and efficiently.</p> <p>The Board charter is reviewed and updated from time-to-time to maintain its relevance and accuracy to the prevailing rules and regulations.</p> <p>The Board Charter is made available for reference on the Company's website at <a href="http://www.naim.com.my">www.naim.com.my</a></p> |  |
| <b>Explanation for departure</b>   | : |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

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

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

**Practice 3.1**

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

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>In discharging its responsibilities, the Board is guided by the Code of Conduct as contained in the Naim Employee Handbook and the Company Directors' Code of Conduct established by the Companies Commission of Malaysia. Directors and employees are expected to uphold the highest integrity in discharging their duties when dealing with stakeholders.</p> <p>The Code of Conduct and Ethics is published on the Company's website at <a href="http://www.naim.com.my">www.naim.com.my</a>.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |



### Intended Outcome

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

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

### Practice 3.2

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

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|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Group has in place an Anti-Fraud Policy statement and a Fraud Response plan to protect the integrity, transparency and impartiality of the businesses conducted by the Group and its personnel. The purpose of the Anti-Fraud Policy statement and Fraud Response plan is to assist and enable all employees, Directors, business associates or customers of the Group to raise concerns or to disclose information pertaining to malpractices they may have knowledge of or come across in their dealings with the Group and at the same time to protect those who come forward to report such activities. The Group assures that all reports will be treated with strict confidentiality and will be promptly investigated.</p> <p>The Group believes that having an Anti-Fraud Policy helps to provide good management, accountability and increases investors' confidence in the Group.</p> |
| <b>Explanation for departure</b>   | : |  |
|  |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

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

**Practice 4.1**

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

| <b>Application</b>                                | : Applied  |                 |                         |          |                    |   |    |  |   |    |                                    |   |    |       |   |     |
|---|--|-----------------|-------------------------|----------|--------------------|---|----|--|---|----|------------------------------------|---|----|-------|---|-----|
| <b>Explanation on application of the practice</b> | <p>The number of Directors shall be determined by the Board within the limits as prescribed in the Constitution of the Company of not more than fifteen (15), taking into consideration the size and breadth of the business and the need for Board diversity.</p> <p>The Board's current composition is as follows:-</p> <table border="1" data-bbox="646 800 1380 1224"> <thead> <tr> <th data-bbox="646 800 1060 898"><b>Category</b></th> <th data-bbox="1060 800 1230 898"><b>No. of Directors</b></th> <th data-bbox="1230 800 1380 898"><b>%</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="646 898 1060 961">Executive Director</td> <td data-bbox="1060 898 1230 961">2</td> <td data-bbox="1230 898 1380 961">22</td> </tr> <tr> <td data-bbox="646 961 1060 1060">Non-Independent Non-Executive Director</td> <td data-bbox="1060 961 1230 1060">2</td> <td data-bbox="1230 961 1380 1060">22</td> </tr> <tr> <td data-bbox="646 1060 1060 1159">Independent Non-Executive Director</td> <td data-bbox="1060 1060 1230 1159">5</td> <td data-bbox="1230 1060 1380 1159">56</td> </tr> <tr> <td data-bbox="646 1159 1060 1224">Total</td> <td data-bbox="1060 1159 1230 1224">9</td> <td data-bbox="1230 1159 1380 1224">100</td> </tr> </tbody> </table> <p data-bbox="646 1241 1380 1440"><b>Notes:</b><br/><i>Paragraph 15.02, Bursa Malaysia Listing Requirements requires 1/3 of the Board to comprise Independent Directors. If the number of Directors is not three (3) or a multiple of three (3), then the number nearest 1/3 shall be used.</i></p> <p data-bbox="646 1472 1380 1591">The Board is served by nine (9) Board Members of which, 22% are Executive Directors, 22% Non-Independent Non-Executive Directors and the balance of 56% Independent Non-Executive Directors.</p> <p data-bbox="646 1629 1380 1812">The MCGG recommends that at least half of the Board comprises independent directors. The Company complies with the aforesaid recommendation. In addition thereto, the Company also complies with Paragraph 15.02 Bursa Malaysia Listing Requirements, which requires at least two (2) directors or 1/3 of the Board to be independent directors.</p> | <b>Category</b> | <b>No. of Directors</b> | <b>%</b> | Executive Director | 2 | 22 | Non-Independent Non-Executive Director | 2 | 22 | Independent Non-Executive Director | 5 | 56 | Total | 9 | 100 |
| <b>Category</b>                                   | <b>No. of Directors</b>  | <b>%</b>        |                         |          |                    |   |    |  |   |    |                                    |   |    |       |   |     |
| Executive Director                                | 2  | 22              |                         |          |                    |   |    |  |   |    |                                    |   |    |       |   |     |
| Non-Independent Non-Executive Director            | 2  | 22              |                         |          |                    |   |    |  |   |    |                                    |   |    |       |   |     |
| Independent Non-Executive Director                | 5  | 56              |                         |          |                    |   |    |  |   |    |                                    |   |    |       |   |     |
| Total   | 9  | 100             |                         |          |                    |   |    |  |   |    |                                    |   |    |       |   |     |
| <b>Explanation for departure</b>                  | :  |                 |                         |          |                    |   |    |  |   |    |                                    |   |    |       |   |     |

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| <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.

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| <b>Application</b>                                | : | Applied - Annual shareholders' approval for independent directors serving beyond 9 years  |
| <b>Explanation on application of the practice</b> | : | <p>The Company has adopted a 9-year policy for Independent Non-Executive Directors, taking into account the need for progressive refreshing of the Board.</p> <p>Upon exceeding the tenure of nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director or upon approval being obtained from the shareholders to retain him/her as an Independent Non-Executive Director.</p> <p>As at the reporting date, Dato Ir. Abang Jemat Bin Abang Bujang has served more than ten (10) years as Independent Director. The Board through its Nominating Committee had conducted an assessment of the independence of all its Independent Directors and is satisfied that the Independent Directors have fulfilled the criteria under the definition of Independent Director as stated in the Bursa Malaysia Listing Requirements and are able to provide objective and independent judgment in deliberation of the Board's agenda.</p> <p>Based on the Board's assessment, the Board is recommending to put forward a resolution at the forthcoming Annual General Meeting ('AGM') to retain Dato Ir. Abang Jemat Bin Abang Bujang as Independent Director notwithstanding that his tenure as Independent Director has exceeded the nine (9) years limit as recommended under the Code.</p> <p>The Board's and Nominating Committee's justification to retain Dato Ir. Abang Jemat Bin Abang Bujang is premised on the following:-</p> |

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|   | <p>(a) Dato Ir. Abang Jemat Bin Abang Bujang continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Bursa Malaysia Listing Requirements;</p> <p>(b) During his tenure in office as an Independent Non-Executive Director, Dato Ir. Abang Jemat Bin Abang Bujang has never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries;</p> <p>(c) During his tenure in office, Dato Ir. Abang Jemat Bin Abang Bujang has gained significant and detailed understanding and insights into the business operations, and industry sectors in which the Group operates in.</p> <p>Last year, Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli , after having served more than 12 years as Independent Non-Executive Director, resigned as a Director of the Company on 24 May 2019.</p> |
| <p><b>Explanation for departure</b></p>   | <p>:</p>   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |
| <p><b>Measure</b></p>   | <p>:</p>   |
| <p><b>Timeframe</b></p>   | <p>:</p>   |

**Intended Outcome**

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

### Intended Outcome

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

### Practice 4.4

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

| <b>Application</b> :                                 | Applied  |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |                     |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
|--|--|--------------|--------|------------|--------------------|--------------------------|------------------------------|-------------------|-------------------|------------|----------------|------|--------|----------|---------------------|--|--|--|--|--|--|--|--------|--|--------|--|-----|--|----------|--------------|--------|------------|--------------------|--------------------------|------------------------------|-------------------|-------------------|------------|----------------|------|--------|----------|----------|--|---|---|---|---|---|--|--|--|--|---|--|---|--|--|---|------------------------|---|---|--|--|--|--|--|--|--|---|--|---|--|--|---|-------------------|---|---|--|--|--|---|--|--|--|--|---|---|---|--|--|---------------------------------------|--|--|--|--|--|--|---|--|--|---|--|---|--|--|---|------------------------------------|--|--|--|--|---|--|--|--|--|---|--|---|--|--|---|--------------------|--|--|--|--|--|---|--|---|--|---|---|---|--|--|---|-------------------|--|--|--|--|--|--|--|---|--|---|---|---|---|--|--|-----------------------------|--|---|--|--|--|--|--|---|--|---|--|---|---|--|---|--|---|--|---|---|---|---|--|--|--|---|--|---|--|--|---|
| <b>Explanation on application of the practice</b> :  | <p>The Board acknowledges the importance of diversity in the Board, including gender, age, ethnicity, experience and skills. The current board composition in terms of experience, skills, ethnic, gender and age is as follows:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2"></th> <th colspan="8">Experience &amp; Skills</th> <th colspan="2">Ethnic</th> <th colspan="2">Gender</th> <th colspan="2">Age</th> </tr> <tr> <th>Property</th> <th>Construction</th> <th>Timber</th> <th>Plantation</th> <th>Energy / Oil &amp; Gas</th> <th>Audit/Accounting/Finance</th> <th>Electrical/Telecommunication</th> <th>Civil Engineering</th> <th>Banking / Finance</th> <th>Bumi putra</th> <th>Non-Bumi putra</th> <th>Male</th> <th>Female</th> <th>Below 60</th> <th>Above 60</th> </tr> </thead> <tbody> <tr> <td>Datuk Amar Abdul Hamed Bin Haji Sepawi</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> </tr> <tr> <td>Datuk Hasmi Bin Hasnan</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> </tr> <tr> <td>Ms. Wong Ping Eng</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Dato Ir. Abang Jemat Bin Abang Bujang</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> </tr> <tr> <td>Datin Mary Sa'diah Binti Zainuddin</td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> </tr> <tr> <td>Mr. Chin Chee Kong</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> <td>√</td> </tr> <tr> <td>Mr. Tan Chuan Dyi</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Cik Sulaihah Binti Maimunni</td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td></td> <td>√</td> </tr> <tr> <td>Datuk Ahmad Bin Abu Bakar (appointed on 1 June 2019)</td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> </tr> </tbody> </table> <p>The Board currently comprises six (6) male directors, representing 67% of the Board, and three (3) female directors, representing 33% of the Board.</p> |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          | Experience & Skills |  |  |  |  |  |  |  | Ethnic |  | Gender |  | Age |  | Property | Construction | Timber | Plantation | Energy / Oil & Gas | Audit/Accounting/Finance | Electrical/Telecommunication | Civil Engineering | Banking / Finance | Bumi putra | Non-Bumi putra | Male | Female | Below 60 | Above 60 | Datuk Amar Abdul Hamed Bin Haji Sepawi | √ | √ | √ | √ | √ |  |  |  |  | √ |  | √ |  |  | √ | Datuk Hasmi Bin Hasnan | √ | √ |  |  |  |  |  |  |  | √ |  | √ |  |  | √ | Ms. Wong Ping Eng | √ | √ |  |  |  | √ |  |  |  |  | √ | √ | √ |  |  | Dato Ir. Abang Jemat Bin Abang Bujang |  |  |  |  |  |  | √ |  |  | √ |  | √ |  |  | √ | Datin Mary Sa'diah Binti Zainuddin |  |  |  |  | √ |  |  |  |  | √ |  | √ |  |  | √ | Mr. Chin Chee Kong |  |  |  |  |  | √ |  | √ |  | √ | √ | √ |  |  | √ | Mr. Tan Chuan Dyi |  |  |  |  |  |  |  | √ |  | √ | √ | √ | √ |  |  | Cik Sulaihah Binti Maimunni |  | √ |  |  |  |  |  | √ |  | √ |  | √ | √ |  | √ | Datuk Ahmad Bin Abu Bakar (appointed on 1 June 2019) | √ |  | √ | √ | √ | √ |  |  |  | √ |  | √ |  |  | √ |
|  | Experience & Skills  |              |        |            |                    |                          |                              |                   | Ethnic            |            | Gender         |      | Age    |          |                     |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
|  | Property   | Construction | Timber | Plantation | Energy / Oil & Gas | Audit/Accounting/Finance | Electrical/Telecommunication | Civil Engineering | Banking / Finance | Bumi putra | Non-Bumi putra | Male | Female | Below 60 | Above 60            |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
| Datuk Amar Abdul Hamed Bin Haji Sepawi               | √  | √            | √      | √          | √                  |                          |                              |                   |                   | √          |                | √    |        |          | √                   |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
| Datuk Hasmi Bin Hasnan                               | √  | √            |        |            |                    |                          |                              |                   |                   | √          |                | √    |        |          | √                   |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
| Ms. Wong Ping Eng                                    | √  | √            |        |            |                    | √                        |                              |                   |                   |            | √              | √    | √      |          |                     |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
| Dato Ir. Abang Jemat Bin Abang Bujang                |  |              |        |            |                    |                          | √                            |                   |                   | √          |                | √    |        |          | √                   |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
| Datin Mary Sa'diah Binti Zainuddin                   |  |              |        |            | √                  |                          |                              |                   |                   | √          |                | √    |        |          | √                   |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
| Mr. Chin Chee Kong                                   |  |              |        |            |                    | √                        |                              | √                 |                   | √          | √              | √    |        |          | √                   |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
| Mr. Tan Chuan Dyi                                    |  |              |        |            |                    |                          |                              | √                 |                   | √          | √              | √    | √      |          |                     |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
| Cik Sulaihah Binti Maimunni                          |  | √            |        |            |                    |                          |                              | √                 |                   | √          |                | √    | √      |          | √                   |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |
| Datuk Ahmad Bin Abu Bakar (appointed on 1 June 2019) | √  |              | √      | √          | √                  | √                        |                              |                   |                   | √          |                | √    |        |          | √                   |  |  |  |  |  |  |  |        |  |        |  |     |  |          |              |        |            |                    |                          |                              |                   |                   |            |                |      |        |          |          |  |   |   |   |   |   |  |  |  |  |   |  |   |  |  |   |                        |   |   |  |  |  |  |  |  |  |   |  |   |  |  |   |                   |   |   |  |  |  |   |  |  |  |  |   |   |   |  |  |                                       |  |  |  |  |  |  |   |  |  |   |  |   |  |  |   |                                    |  |  |  |  |   |  |  |  |  |   |  |   |  |  |   |                    |  |  |  |  |  |   |  |   |  |   |   |   |  |  |   |                   |  |  |  |  |  |  |  |   |  |   |   |   |   |  |  |                             |  |   |  |  |  |  |  |   |  |   |  |   |   |  |   |  |   |  |   |   |   |   |  |  |  |   |  |   |  |  |   |

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|   | <p>The Board is made up of 67% Bumiputra and 33% Non-Bumiputra. The Board believes that diversity leads to the consideration of all facets of an issue and, consequently, better decisions and performance.</p> <p>The profiles of the Directors are provided on pages 20 to 29 of the Annual Report 2019.</p> <p>The appointments of senior management are also made on merits, in the context of skills and experience. The profiles of the senior management are provided on pages 30 to 31 of the Annual Report.</p> |  |
| <b>Explanation :</b><br><b>for</b><br><b>departure</b>  |  |  |
|   |  |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |  |
| <b>Measure :</b>  |  |  |
| <b>Timeframe :</b>  |  |  |



**Intended Outcome**

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

**Practice 4.5**

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

|  |   |   |  |
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| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | The Board currently comprises six (6) male directors, representing 67% of the Board, and three (3) female directors, representing 33% of the Board. |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <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.

|  |   |
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| <p><b>Application</b></p>                                | <p>: Applied</p>  |
| <p><b>Explanation on application of the practice</b></p> | <p>: During the year under review, one (1) new director was appointed to the Board. The general guidelines for appointment to the Board were to fill a vacancy as a result of a creation of a new post or the resignation or retirement of an existing Director.</p> <p>The Nominating Committee may receive recommendations from Board members and major shareholders. The Nominating Committee also accepts referrals from external sources.</p> <p>A process is in place for the appointment of new directors to the Board. The primary responsibility for identifying a suitable candidate for appointment to the Board has been delegated to the Nominating Committee.</p> <div data-bbox="586 1094 1377 1640" data-label="Diagram"> <pre> graph TD     A[Identification of candidate] --&gt; B[Evaluation of the candidate by Nominating Committee]     B --&gt; C[Meeting the candidate, if deemed necessary]     C --&gt; D[Decision by Nominating Committee if suitable, to recommend to the Board for appointment]     D --&gt; E[Board appoints director, if deemed fit]     </pre> </div> <p>The Nominating Committee shall be responsible for selecting, assessing, evaluating and recommending suitably qualified candidates for proposed appointment to the Board. Each candidate will be evaluated on his/her competency in the mix of skills that will best complement the Board's effectiveness and knowledge, time commitment taking into consideration the number of Boards on which he/she sits, strategy and vision, commitment to the interest of shareholders, mature judgment,</p> |

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|   | <p>professional qualification, management ability, and the possibility of any conflict of interest.</p> <p>Candidates for Non-Executive Director positions will also be assessed on the number and nature of directorships held in other companies, independence of the candidate pursuant to Bursa Malaysia Listing Requirements and the calls on their time from other commitments, in order to ensure full and active contributions to the board's affairs.</p> <p>Only candidates possessing the highest standards of personal and professional ethics and integrity, practical wisdom and mature judgment, and who are committed to representing the interests of the stockholders at all times, will be considered for recommendation to the Board for appointment.</p> |  |
| <p><b>Explanation for departure</b></p>   | :   |  |
|   |   |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <p><b>Measure</b></p>   | :   |  |
| <p><b>Timeframe</b></p>   | :   |  |

**Intended Outcome**

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

**Practice 4.7**

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

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Departure  |  |
| <b>Explanation on application of the practice</b>  | : |  |  |
| <b>Explanation for departure</b>   | : | The Nominating Committee is chaired by a Non-Independent Non-Executive Director, Datuk Amar Abdul Hamed Bin Haji Sepawi. |  |
|  |   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

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

**Practice 5.1**

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

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

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Nominating Committee evaluates and assesses the effectiveness of the Board and its committees. The evaluation exercise is undertaken after the end of each financial year. The individual Directors, Executive and Non-Executive Directors are being assessed by peer and via self-evaluation on how he/she performed against set parameters, contribution of the director to the Board's strategic thinking, leadership and commitment of the director, participation in Board and Committee meetings and communication and inter-personal skills of the director.</p> <p>Pursuant to Paragraph 15.08A and 15.20 the Nominating Committee, reviewed the performance of the Audit Committee and its members against the Audit Committee's Terms of Reference, and it was of the opinion that the Audit Committee had carried out its duties in accordance with the terms of reference during the financial year ended 31 December 2019 and recommended that its members be retained for another term of office.</p> <p>The Executive Directors' performance are measured against the Key Performance Indicators (KPI) allocated to them at the beginning of the year. KPI is a quantifiable metric that reflects how well an organisation has achieved its pre-determined targets/goal. The targets/goals are aligned with the overall strategy of the organisation.</p> <p>The targets including quantifiable baseline and stretched targets, and incentives in the form of individual and team reward were pre-approved by the Board at the time the budget for subsequent year was tabled and may thereafter be revised based on prevailing economic and market conditions.</p> <p>The company did not engage any external independent experts or consultants as advisors to facilitate the board evaluation process. During the year under review, the assessment and evaluation were conducted in-house.</p> |

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

### Intended Outcome

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

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

### Practice 6.1

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

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Managing Director's remuneration package is recommended by the Remuneration Committee to the Board for its approval. The Deputy Managing Director and senior management report to the Managing Director and accordingly their remuneration packages are determined by the Managing Director. Fees for Non-Executive Directors and remuneration for the Non-Executive Chairman are proposed by the Board and approved by shareholders at the AGM.</p> <p>The remuneration for Executive Directors and senior management comprises two (2) parts namely the fixed and variable remuneration components. The fixed component is the basic salary whereas the variable component relates to incentives tagged to targets and outcomes and the ability to contribute to the long-term strategies of the organisation. Non-Executive Directors shall be eligible to the fixed component. However, they are not eligible to participate in the variable performance-linked incentive scheme in the form of annual bonuses.</p> <p>The key objectives of the Company's policy on Executive Directors' remuneration are as follows:</p> <ol style="list-style-type: none"><li>1) to attract and retain executives of the highest calibre</li><li>2) to reward them at the prevailing market rate</li><li>3) to reward them in such a way that promotes the creation of shareholders' value through a "performance pegged to remuneration" package, i.e. Key Performance Indicators</li></ol> <p>The Company's policy for Non-Executive Directors is basically to offer remuneration adequate to attract and retain individuals of the appropriate calibre who are able to apply sound independent judgment based on extensive professional experience and knowledge.</p> <p>Non-Executive Directors are entitled to two (2) kinds of remuneration:</p> |

|   |   |
|---|---|
|   | <p>1) meeting allowance or special allowances when called upon to perform extra services or give special attention to the business of the Group</p> <p>2) Directors' fees recommended by the Board and approved by shareholders in the AGM.</p> <p>As aforementioned, Executive Directors are paid salary and bonus. However, they are not entitled to meeting allowances and fees.</p> <p>No Director is involved in determining his own remuneration.</p> <p>In view of the challenging business environment and the poor performance of the Company for the past few years, no salary increment and bonuses were paid to the staff including executive directors of the Company.</p> |
| <p><b>Explanation for departure</b></p>   | <p>:</p>  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |
| <p><b>Measure</b></p>   | <p>:</p>  |
| <p><b>Timeframe</b></p>   | <p>:</p>  |



**Intended Outcome**

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>  | : | The Terms of Reference of the Remuneration Committee are available on the Company's website at <a href="http://www.naim.com.my">www.naim.com.my</a> |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

### Intended Outcome

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 a named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

| <b>Application</b> :  | Applied  |            |            |                 |                       |              |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
|---|--|------------|------------|-----------------|-----------------------|--------------|-----------|----------|------------|-----|-------|-----------------|-------|------------------------|--------------|------------|------------|--|-----------|--------------|---------------|------------|-----------|-----------|--|-----------|------------|-----------|------------------|------------|-----------|-----------------|-----------------------|-------------|---|--------------|--|------------|--|-----------|--------------|---|----------|-----------|--|------------|--|------------|---------------------------------------|-----------|------------|--|--|--|------------|------------------------------------|-----------|------------|--|--|--|------------|----------------|-----------|------------|--|--|--|------------|---------------|-----------|------------|--|--|--|------------|
| <b>Explanation on application of the practice</b> :   | <p>Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year ended 31 December 2019 are as follows:</p> <p><b>Executive Directors</b></p> <table border="1"> <thead> <tr> <th>Directors</th> <th>Salaries</th> <th>Allowances</th> <th>EPF</th> <th>Bonus</th> <th>Benefit-in-kind</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Datuk Hasmi Bin Hasnan</td> <td>1,695,456.00</td> <td>133,200.00</td> <td>292,596.00</td> <td></td> <td>19,700.00</td> <td>2,140,952.00</td> </tr> <tr> <td>Wong Ping Eng</td> <td>540,840.00</td> <td>47,547.00</td> <td>94,152.00</td> <td></td> <td>10,700.00</td> <td>693,239.00</td> </tr> </tbody> </table> <p><b>Non-Executive Directors</b></p> <table border="1"> <thead> <tr> <th>Directors</th> <th>Allowances<br/>RM</th> <th>Fees<br/>RM</th> <th>EPF<br/>RM</th> <th>Ex-gratia<br/>RM</th> <th>Benefit-in-kind<br/>RM</th> <th>Total<br/>RM</th> </tr> </thead> <tbody> <tr> <td>Datuk Amar Abdul Hamed Bin Haji Sepawi,</td> <td>1,186,180.00</td> <td></td> <td>187,476.00</td> <td></td> <td>28,450.00</td> <td>1,402,106.00</td> </tr> <tr> <td>Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli<br/>(Resigned on 24 May 2019)</td> <td>4,000.00</td> <td>47,741.94</td> <td></td> <td>120,274.00</td> <td></td> <td>172,015.94</td> </tr> <tr> <td>Dato Ir. Abang Jemat Bin Abang Bujang</td> <td>20,500.00</td> <td>120,000.00</td> <td></td> <td></td> <td></td> <td>140,500.00</td> </tr> <tr> <td>Datin Mary Sa'diah Binti Zainuddin</td> <td>19,000.00</td> <td>120,000.00</td> <td></td> <td></td> <td></td> <td>139,000.00</td> </tr> <tr> <td>Chin Chee Kong</td> <td>20,500.00</td> <td>120,000.00</td> <td></td> <td></td> <td></td> <td>140,500.00</td> </tr> <tr> <td>Tan Chuan Dyi</td> <td>20,500.00</td> <td>120,000.00</td> <td></td> <td></td> <td></td> <td>140,500.00</td> </tr> </tbody> </table> |            |            |                 |                       |              | Directors | Salaries | Allowances | EPF | Bonus | Benefit-in-kind | Total | Datuk Hasmi Bin Hasnan | 1,695,456.00 | 133,200.00 | 292,596.00 |  | 19,700.00 | 2,140,952.00 | Wong Ping Eng | 540,840.00 | 47,547.00 | 94,152.00 |  | 10,700.00 | 693,239.00 | Directors | Allowances<br>RM | Fees<br>RM | EPF<br>RM | Ex-gratia<br>RM | Benefit-in-kind<br>RM | Total<br>RM | Datuk Amar Abdul Hamed Bin Haji Sepawi, | 1,186,180.00 |  | 187,476.00 |  | 28,450.00 | 1,402,106.00 | Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli<br>(Resigned on 24 May 2019) | 4,000.00 | 47,741.94 |  | 120,274.00 |  | 172,015.94 | Dato Ir. Abang Jemat Bin Abang Bujang | 20,500.00 | 120,000.00 |  |  |  | 140,500.00 | Datin Mary Sa'diah Binti Zainuddin | 19,000.00 | 120,000.00 |  |  |  | 139,000.00 | Chin Chee Kong | 20,500.00 | 120,000.00 |  |  |  | 140,500.00 | Tan Chuan Dyi | 20,500.00 | 120,000.00 |  |  |  | 140,500.00 |
| Directors   | Salaries   | Allowances | EPF        | Bonus           | Benefit-in-kind       | Total        |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
| Datuk Hasmi Bin Hasnan  | 1,695,456.00   | 133,200.00 | 292,596.00 |                 | 19,700.00             | 2,140,952.00 |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
| Wong Ping Eng   | 540,840.00   | 47,547.00  | 94,152.00  |                 | 10,700.00             | 693,239.00   |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
| Directors   | Allowances<br>RM   | Fees<br>RM | EPF<br>RM  | Ex-gratia<br>RM | Benefit-in-kind<br>RM | Total<br>RM  |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
| Datuk Amar Abdul Hamed Bin Haji Sepawi,   | 1,186,180.00   |            | 187,476.00 |                 | 28,450.00             | 1,402,106.00 |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
| Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli<br>(Resigned on 24 May 2019) | 4,000.00   | 47,741.94  |            | 120,274.00      |                       | 172,015.94   |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
| Dato Ir. Abang Jemat Bin Abang Bujang   | 20,500.00  | 120,000.00 |            |                 |                       | 140,500.00   |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
| Datin Mary Sa'diah Binti Zainuddin  | 19,000.00  | 120,000.00 |            |                 |                       | 139,000.00   |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
| Chin Chee Kong  | 20,500.00  | 120,000.00 |            |                 |                       | 140,500.00   |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |
| Tan Chuan Dyi   | 20,500.00  | 120,000.00 |            |                 |                       | 140,500.00   |           |          |            |     |       |                 |       |                        |              |            |            |  |           |              |               |            |           |           |  |           |            |           |                  |            |           |                 |                       |             |   |              |  |            |  |           |              |   |          |           |  |            |  |            |                                       |           |            |  |  |  |            |                                    |           |            |  |  |  |            |                |           |            |  |  |  |            |               |           |            |  |  |  |            |

|  |   |           |            |  |  |  |            |
|--|---|-----------|------------|--|--|--|------------|
|  | Sulaihah Binti Maimunni                                     | 14,000.00 | 120,000.00 |  |  |  | 134,000.00 |
|  | Datuk Ahmad Bin Abu Bakar<br><br>(Appointed on 1 June 2019) | 4,000.00  | 70,000.00  |  |  |  | 74,000.00  |
| <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 Board is of the opinion that it would not be in the best interest of the Company to make such detailed disclosure of key senior management's remuneration on a named basis. Accordingly, such details are not disclosed in the annual report in view of the competitive market for talents. |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : | As at to date, the Company does not have any alternative plan to meet the intended outcome.   |  |
| <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 statements are a reliable source of information.

**Practice 8.1**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Audit Committee Chairman is Mr Tan Chuan Dyi, an Independent Non-Executive Director. He is not the Chairman of the Board. |  |
| <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 statements are a reliable source of information.

**Practice 8.2**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Audit Committee has no such policy in place. However, no former key audit partner had been appointed as a member of the Audit Committee during the year under review. |  |
| <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 statements are a reliable source of information.

### Practice 8.3

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Audit Committee is directly responsible for the oversight of the engagement of the Company's external auditors.</p> <p>Prior to the commencement of the audit for the financial year ended 31 December 2019, the Audit Committee met the external auditor on 27 November 2019 to discuss the Group's audit plan and audit methodology, and during the meeting the external auditors, KPMG PLT declared the following:-</p> <ul style="list-style-type: none"><li>(i) its network firm, engagement partner and audit team's independence and objectivity, were in compliance with relevant ethical requirements.</li><li>(ii) its audit partners were rotated once every 5 years, with a two-year cooling-off period</li></ul> <p>The review of the performance of the external auditors was conducted on 19 May 2020 by the Audit Committee pursuant to Paragraph 15.21 Bursa Malaysia Listing Requirements. The external auditors were assessed in the following areas:-</p> <ul style="list-style-type: none"><li>(a) The quality of services provided;</li><li>(b) The sufficiency of resources;</li><li>(c) Communication and interaction and</li><li>(d) Independence, objectivity and scepticism</li></ul> <p>The Audit Committee was of the opinion that KPMG PLT had performed satisfactorily and recommended their re-appointment as external auditors for the financial year ending 31 December 2020 subject to shareholders' approval at the forthcoming AGM.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |



|                  |   |  |  |
|------------------|---|--|--|
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |

**Intended Outcome**

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 statements are a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

| <b>Application</b>                             | :  | Not Adopted  |     |                                   |                                  |    |  |   |    |   |   |    |  |                |
|--|--|--|-----|-----------------------------------|----------------------------------|----|--|---|----|---|---|----|--|----------------|
| <b>Explanation on adoption of the practice</b> | :  | <p>Audit Committee comprises three (3) members, of whom, two (2) are Independent Directors and 1 Non-Independent Director.</p> <p>The Non-Independent Director is a member of the Malaysian Institute of Accountants. Paragraph 15.09(c) of Bursa Malaysia Main Market Listing Requirements requires at least one (1) member of the Audit Committee to possess the accounting qualification as prescribed under Paragraph 15.09(c) of the Bursa Malaysia Listing Requirements.</p> <p>The details of the membership of the Audit Committee and its members' qualification pursuant to paragraph 15.09(c) of Bursa Malaysia Main Market Listing Requirements are as follows:-</p> <table border="1" data-bbox="570 1035 1357 1388"> <thead> <tr> <th data-bbox="570 1035 646 1129">No.</th> <th data-bbox="646 1035 1166 1129">Membership of the Audit Committee</th> <th data-bbox="1166 1035 1357 1129">Paragraph 15.09(c) Qualification</th> </tr> </thead> <tbody> <tr> <td data-bbox="570 1129 646 1224">1.</td> <td data-bbox="646 1129 1166 1224">Tan Chuan Dyi, an independent Non-Executive Director (Chairman of the Audit Committee)</td> <td data-bbox="1166 1129 1357 1224">x</td> </tr> <tr> <td data-bbox="570 1224 646 1318">2.</td> <td data-bbox="646 1224 1166 1318">Dato Ir. Abang Jemat Bin Abang Bujang, an Independent Non-Executive Director (member)</td> <td data-bbox="1166 1224 1357 1318">X</td> </tr> <tr> <td data-bbox="570 1318 646 1388">3.</td> <td data-bbox="646 1318 1166 1388">Chin Chee Kong, an Non-Independent Non-Executive Director (member)</td> <td data-bbox="1166 1318 1357 1388">√ (MIA member)</td> </tr> </tbody> </table> | No. | Membership of the Audit Committee | Paragraph 15.09(c) Qualification | 1. | Tan Chuan Dyi, an independent Non-Executive Director (Chairman of the Audit Committee) | x | 2. | Dato Ir. Abang Jemat Bin Abang Bujang, an Independent Non-Executive Director (member) | X | 3. | Chin Chee Kong, an Non-Independent Non-Executive Director (member) | √ (MIA member) |
| No.  | Membership of the Audit Committee  | Paragraph 15.09(c) Qualification   |     |                                   |                                  |    |  |   |    |   |   |    |  |                |
| 1.   | Tan Chuan Dyi, an independent Non-Executive Director (Chairman of the Audit Committee) | x  |     |                                   |                                  |    |  |   |    |   |   |    |  |                |
| 2.   | Dato Ir. Abang Jemat Bin Abang Bujang, an Independent Non-Executive Director (member)  | X  |     |                                   |                                  |    |  |   |    |   |   |    |  |                |
| 3.   | Chin Chee Kong, an Non-Independent Non-Executive Director (member)                     | √ (MIA member)   |     |                                   |                                  |    |  |   |    |   |   |    |  |                |

### 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 statements are a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

| <b>Application</b>                                | :   | Applied  |                                |  |               |   |
|---|---|--|--------------------------------|--|---------------|---|
| <b>Explanation on application of the practice</b> | :   | <p>All members of the Audit Committee are financially literate and are able to analyse and interpret financial statements in order to discharges their duties and responsibilities.</p> <p>Pursuant to Paragraph 15.20 of Bursa Malaysia Listing Requirements, an annual assessment on the term of office and performance of the Audit Committee was undertaken by the Nominating Committee for the financial year 2019.</p> <p>The Audit Committee was assessed in the following areas:-</p> <ol style="list-style-type: none"><li>(1) Composition and quality</li><li>(2) Understanding the business, including risks</li><li>(3) Process and Procedures</li><li>(4) Oversight of financial reports including internal controls</li><li>(5) Oversight of audit functions</li><li>(6) Monitoring activities</li></ol> <p>Based on the outcome of the assessment, the Board was satisfied with the performance of the Audit Committee.</p> <p>The Audit Committee members undertook continuous professional developments. The trainings attended by the Audit Committee members are set below:-</p> <table border="1"><thead><tr><th><b>Audit Committee members</b></th><th><b>Training attended during the year</b></th></tr></thead><tbody><tr><td>Tan Chuan Dyi</td><td><ul style="list-style-type: none"><li>• Corporate Retreat in Kuching</li><li>• Corporate Liability on Corruption – A Basic Awareness &amp; Implementation Framework (Terus Mesra Sdn. Bhd.)</li></ul></td></tr></tbody></table> | <b>Audit Committee members</b> | <b>Training attended during the year</b> | Tan Chuan Dyi | <ul style="list-style-type: none"><li>• Corporate Retreat in Kuching</li><li>• Corporate Liability on Corruption – A Basic Awareness &amp; Implementation Framework (Terus Mesra Sdn. Bhd.)</li></ul> |
| <b>Audit Committee members</b>                    | <b>Training attended during the year</b>  |  |                                |  |               |   |
| Tan Chuan Dyi                                     | <ul style="list-style-type: none"><li>• Corporate Retreat in Kuching</li><li>• Corporate Liability on Corruption – A Basic Awareness &amp; Implementation Framework (Terus Mesra Sdn. Bhd.)</li></ul> |  |                                |  |               |   |

|   |  |   |
|---|--|---|
|   | <p>Dato Ir. Abang Jemat Bin Abang Bujang</p> | <ul style="list-style-type: none"> <li>• Corporate Governance Advocacy Programme – Cyber Security in the Boardroom (Deloitte)</li> <li>• Corporate Retreat in Kuching</li> <li>• USA-China Trade War – Its Impact on Business and Consumers in ASEAN (Malaysian Investor Relations Association)</li> <li>• Corporate Liability Provision on Corruption under MACC Act 2009</li> </ul>   |
|   | <p>Chin Chee Kong</p>                        | <ul style="list-style-type: none"> <li>• Shifting Tides: Future of Finance, a Finance Industry Conference in conjunction with Malaysia Tech Week (MTW19) @ Sasana Kijang</li> <li>• (A) AML/CFT Training<br/>(B) Briefing on Bank Negara Malaysia’s Policy Document on Credit Risk (ICBC Bank Malaysia Internal Training)</li> <li>• Corporate Retreat in Kuching</li> <li>• Trade Based Money Laundering Training by KPMG Management &amp; Risk Consulting Sdn. Bhd. (ICBC Bank Malaysia Internal training)</li> <li>• (A) MFRS Updates 2019/2020 Seminar by KPMG<br/><br/>(B) Tax and Business Seminar by KPMG</li> <li>• MICG Half Day Seminar on “Fraud Risk Management” (MICG)</li> <li>• Corporate Liability Provision on Corruption under MACC Act 2009</li> </ul> |
| <p><b>Explanation for departure</b></p>   | <p>:</p>                                     |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |   |
| <p><b>Measure</b></p>   | <p>:</p>                                     |   |

|                  |   |  |  |
|------------------|---|--|--|
| <b>Timeframe</b> | : |  |  |
|------------------|---|--|--|

**Intended Outcome**

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

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

**Practice 9.1**

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board is responsible for the Group’s system of internal control and risk management. The Group has an effective risk management and internal control framework. In particular, the Group has in place an Enterprise Risk Management (“ERM”) based on MS ISO 31000: 2010 Enterprise Risk Management Framework and Standard.</p> <p>The Group’s system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against the occurrence of any material misstatement or loss.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

## Intended Outcome

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

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

## Practice 9.2

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

|   |   |  |
|---|---|--|
| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Board through the Risk Management Committee ("RMC") oversees the risk management matters of the Group. The risk management framework establishes the context of risk in relation to the Group's business and sets out the process for risk identification, measurement and treatment with continuous monitoring, reviewing and communication.</p> <p>All key risks are captured in a risk template and reviewed by the respective business units. The risk template includes detailed assessment of risks as well as the corresponding mitigating controls implemented or to be implemented. All risks are consolidated and presented for deliberation during the quarterly Risk Management Sub-Committee ("RMSC") meeting attended by head of departments of various business units. Subsequently, the reports will be presented to the RMC to ensure its continued application and relevance.</p> <p>Upon assessment of all material aspects, the Board concluded that the risk management and internal control system of the Company is generally adequate and effective for the financial year 2019. Further details are provided in the Statement on Internal Control and Risk Management on pages 92 to 93 of the Annual Report 2019.</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 9.3 - Step Up

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

| <b>Application</b>                             | :  | Adopted  |            |  |    |  |    |  |    |   |
|--|--|--|------------|--|----|--|----|--|----|---|
| <b>Explanation on adoption of the practice</b> | :  | <p>The Risk Management Committee comprises wholly of Non-Executive Director, two (2) of whom are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director</p> <p>A summary of the Risk Management Committee membership is as follows:-</p> <table border="1"><thead><tr><th><b>No.</b></th><th><b>Membership of the Risk Management Committee</b></th></tr></thead><tbody><tr><td>1.</td><td>Datin Mary Sa'diah Binti Zainuddin,<br/>Independent Non-Executive Director (Chairperson of the Risk Management Committee)</td></tr><tr><td>2.</td><td>Cik Sulaihah Binti Maimunni,<br/>Independent Non-Executive Director</td></tr><tr><td>3.</td><td>Datuk Amar Abdul Hamed Bin Haji Sepawi,<br/>Non-Independent Non-Executive Director</td></tr></tbody></table> | <b>No.</b> | <b>Membership of the Risk Management Committee</b> | 1. | Datin Mary Sa'diah Binti Zainuddin,<br>Independent Non-Executive Director (Chairperson of the Risk Management Committee) | 2. | Cik Sulaihah Binti Maimunni,<br>Independent Non-Executive Director | 3. | Datuk Amar Abdul Hamed Bin Haji Sepawi,<br>Non-Independent Non-Executive Director |
| <b>No.</b>                                     | <b>Membership of the Risk Management Committee</b>   |  |            |  |    |  |    |  |    |   |
| 1.   | Datin Mary Sa'diah Binti Zainuddin,<br>Independent Non-Executive Director (Chairperson of the Risk Management Committee) |  |            |  |    |  |    |  |    |   |
| 2.   | Cik Sulaihah Binti Maimunni,<br>Independent Non-Executive Director   |  |            |  |    |  |    |  |    |   |
| 3.   | Datuk Amar Abdul Hamed Bin Haji Sepawi,<br>Non-Independent Non-Executive Director  |  |            |  |    |  |    |  |    |   |



### Intended Outcome

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

### Practice 10.1

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board is responsible for the Group's internal control, the overall purpose of which is to protect shareholders' investments and the Group's assets. The Board is assisted by the Audit Committee, which is responsible for the Group's internal control system, accounting policies and Financial Reporting.</p> <p>The Internal control systems throughout the Group are managed and monitored by an in-house Internal Audit Division, whose primary function is to assist the Audit Committee in discharging its duties and responsibilities. The Internal Audit reports regularly to the Audit Committee on their findings on the adequacy and effectiveness of the Group's control systems. The Audit Committee reviews the adequacy, effectiveness and integrity of the internal control systems.</p> <p>The Internal Audit Department reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover high risks areas and entities across all levels of operations within the Group, other than associates and joint ventures. Systems and processes are being reviewed and weaknesses identified will be dealt with.</p> <p>The Internal Audit's role and responsibilities are defined in the Internal Audit Charter with the mission to provide independent, objective assurance and consulting services to add value and improve the organization's operations.</p> <p>Their role is to provide the Committee with independence and objective reports on the adequacy and effectiveness of the system of internal controls and procedures in the operating units within the Group and the extent of compliance with the Group's established policies, procedures and guidelines, and also compliance with applicable laws, regulations, directives and other enforced compliance requirements.</p> <p>The Internal Audit Function is independent of the activities audited and performs its duties with impartiality and due professional care. The Internal Audit Function reports directly to the Audit Committee. In addition, the Audit Committee assesses the performance of the Head of Internal Audit.</p> |

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

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Internal Audit Department is headed by a Chartered Accountant, Madam Denise Yong, who has more than 18 years of work experience. The internal audit staff comprise those who possess tertiary qualifications in the field of Accountancy, Business Administration, Computing, Construction Management and Engineering. The Department is made up of a total of six (6) internal auditors as at 31 December 2019.</p> <p>To accomplish its primary objectives in examining and evaluating whether the Group's internal control and governance process is adequate and functioning properly, the internal auditors are authorised to have full, free and unrestricted access to the Group's operations, activities, information, functions, records, properties and personnel relevant to the performance of internal audit at any time.</p> <p><b>Internal Audit Functions and Activities</b></p> <p>The Internal Audit Department has carried out its activities based on planned audits and special reviews during the year. During the financial year ended 31 December 2019, the internal audit activities carried out included, inter alia, the following:</p> <ol style="list-style-type: none"><li>a. Evaluated the system of internal controls and key operating process based on the approved annual plan.</li><li>b. Evaluated the efficiency of process, function and current practices and provided suitable recommendation to the Audit Committee.</li><li>c. Provided assurance on compliance with statutory requirements, laws, Group policies and guidelines.</li><li>d. Evaluated the risk management framework and recommended improvements on the adequacy and effectiveness of management's risk processes.</li><li>e. Recommended appropriate controls to overcome deficiencies and enhance operations.</li></ol> |

|   |   |  |
|---|---|--|
|   | <p>f. Carried out investigations and special reviews at the request of the Audit Committee, the Board of Directors and management.</p> <p>Follow-up audits were also conducted and the status of implementation on the agreed corrective actions was highlighted to the Audit Committee. The regular monitoring is to ensure the integrity and effectiveness of the Group's system of internal control.</p> |  |
| <p><b>Explanation for departure</b></p>   | <p>:</p>  |  |
|   |   |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <p><b>Measure</b></p>   | <p>:</p>  |  |
| <p><b>Timeframe</b></p>   | <p>:</p>  |  |

**Intended Outcome**

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

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

**Practice 11.1**

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Group has formalized corporate disclosure policies and procedures on communication with stakeholders.</p> <p>The Group communicates with shareholders by way of the Annual Reports and Financial Statements, by announcing its quarterly results and through periodical announcements to the market. The level of disclosure adopted in the Annual Reports and quarterly results are designed to go beyond the statutory obligations, in order to serve as an effective means of communication and information on the Group's operations.</p> <p>In addition, the investment community, comprising individuals, analysts, fund managers and other stakeholders, have dialogues with the Group's authorized representatives (i.e. the Chairman, Managing Director and Deputy Managing Director). This provides further channel in communicating and engaging directly with the shareholders, investors and investment community. Non-Executive Directors may attend such meetings but are not expected to provide information on the Group's performance. Discussions at such meetings are restricted to matters that are in the public domain.</p> <p>The general meetings are the principal forum for dialogue and interaction with the shareholders of the Company. The Board encourages active participation from shareholders during these meetings.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |

|                  |   |  |  |
|------------------|---|--|--|
| <b>Timeframe</b> | : |  |  |
|------------------|---|--|--|

**Intended Outcome**

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

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

**Practice 11.2**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | <p>The Company is not categorized as “Large Company” as defined in the Malaysian Code of Corporate Governance, hence it has not adopted an integrated reporting based on a globally recognised framework.</p> <p>The existing reporting in 2019 Annual Report provides both financial and non-financial information including Corporate Governance Report and Sustainability Report, which the Board considers to have provided a fairly comprehensive view of the entire business operations of the Group.</p> |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

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

**Practice 12.1**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>Last year the Company despatched its notice of the 17<sup>th</sup> AGM on 26 April 2019 for AGM scheduled on 24 May 2019, giving more than 28 days notice.</p> <p>This year, the Company despatches the notice of its 18<sup>th</sup> AGM on 27 May 2020 to shareholders giving 28 days' notice for AGM scheduled on 24 June 2020.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

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

**Practice 12.2**

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>   | : | Departure  |  |
| <b>Explanation on application of the practice</b>  | : | <p>All the Directors Chairmen of Audit, Nominating and other committees attended the 17<sup>th</sup> AGM held on 24 May 2019, and Extraordinary General Meeting (“EGM”) held on 28 November 2019.</p> <p>The Management and External Auditors were also present at the AGM to respond to any questions raised by shareholders. The Management was present at the EGM to explain and respond to questions raised by shareholders in relation to the proposed adoption of the new Constitution of the Company.</p> <p>Summary of key matters discussed during the 17<sup>th</sup> AGM are published on the Company’s corporate website at <a href="http://www.naim.com.my">www.naim.com.my</a></p> |  |
| <b>Explanation for departure</b>   | : |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |



**Intended Outcome**

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>   | : | Meanwhile, shareholders who are unable to attend general meetings may appoint their respective proxies to vote on their behalf at all general meetings of Company.     |  |
|  |   | The Board will monitor the development in respect of the use of new technologies to facilitate the conduct of general meetings in the market for future consideration. |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

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

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

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