

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7230
COMPANY NAME : TOMEI CONSOLIDATED BERHAD
FINANCIAL YEAR : December 31, 2017

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board takes full responsibility and retained full and effective control over the affairs of the Group. This includes:</p> <ul style="list-style-type: none"> - focusing on the overall strategic planning including business plan and annual budget, performing quarterly review of business and financial performance. - reviewing risk management policy, ensuring effective internal controls are in place as well as ensuring legal and statutory compliance. - monitoring corporate performance and the conduct of the Group's business through regular review of its financial performance. - planning on the succession planning for top management and taking steps to ensure that they have the necessary skills and experience to undertake their duties and responsibilities. - developing and implementing an investor relation program or shareholders' communications policy for the Company. - promoting ethical standard for the Group through code of conduct and ensure its compliance.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Board, Tan Sri Datuk Dr Ng Teck Fong plays a crucial role in providing overall business direction of the Group. The Chairman leads the Board meeting and discussion ensuring that each and every Board member contributes their skills and experience to the Group.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	Tan Sri Datuk Dr Ng Teck Fong, the Executive Chairman, plays a crucial role in providing overall business direction of the Group. The implementation of business strategy and day to day management falls under the leadership and responsibility of the Group Managing Director, Datuk Ng Yih Pyng.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied	
Explanation on application of the practice	:	The Board is supported by a qualified and competent Company Secretary. The Company Secretary organises and attends all Board and Board Committee meetings. The Company Secretary updates the Board on all new relevant regulatory requirements and corporate governance best practices including those issued by Bursa Malaysia Securities Berhad or Securities Commission.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.5

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

Application	:	Applied	
Explanation on application of the practice	:	All information on meetings is disseminated to the Board at least 7 days before the date of meeting to enable the Board to make an informed decision. All minutes of meeting are properly circulated for the Board's review after the respective meeting and approved by the Board in the following meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Board Charter which provides the detail duties and responsibilities of the Board is made public on the Group's website to guide your Board in discharging its duties and responsibilities. The Board Charter is reviewed periodically and amended when necessary to reflect the changes on the conduct of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has developed an ethical standard for the Group through its Code of Conduct established to facilitate and ensure its compliance by the Board and all the employees within the Group. This includes a strategic vision statement and core values to guide the Company forward. The Board reviews the Code of Conduct regularly to ensure that new requirements and suggestion of best practices are being updated and incorporated into the code. The Code of Conduct of the Group is made available publicly on the Group's website.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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.

Application	:	Applied	
Explanation on application of the practice	:	The Group has promoted its core value of “Accountability, Teamwork, Integrity and Passionate” to all its employees and carrying out various activities to encourage its compliance. The Group also has a whistleblowing policy which is implemented throughout the Group. The policy provides an avenue for its employees and other stakeholders including shareholders, suppliers and customers to report genuine concerns on acts committed by employees and/or directors arising from unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements without fear of reprisal provided they act in good faith when reporting such concerns.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Group's Board of Directors comprises of ten (10) members of whom six (6) are Non Independent Directors and four (4) are Independent Directors.	
		The Nomination Committee is of the opinion the current Board composition has the right mix of skills and experience required by the Group.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
Explanation on application of the practice	:	All the four (4) independent directors of the Group have exceeded the tenure of ninth (9) years of service with the Group. The Board through the Nomination Committee has assessed and satisfied with the independence of the independent directors and has recommended for them to continue serving in their current capacity. Therefore they will submit themselves for re-appointment by the shareholders in the coming Annual General Meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	The appointment of the Board members and senior management are made taking into consideration of their expertise and skillset required by the Group. The current Board members and senior management of the Group consist of members from a wide range of discipline and background, providing an in-depth and diversity in experience to the Group's operation.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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.

Application	:	Applied	
Explanation on application of the practice	:	The Board does not have a specific policy on gender, ethnicity and age group for the appointment of its Board of Directors. Nevertheless, the current composition of the Board does reflect a mix diversity of gender, ethnicity and age among its Directors. 40% of its Board members are women directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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.

Application	:	Applied	
Explanation on application of the practice	:	Currently, this practice is not applicable as the Group has not appointed any new members to the Board since the Company was quoted on Bursa Malaysia Securities Berhad in the year 2006. The Nomination Committee has assessed on the performance of every Board member annually and is satisfied with the performance of all the Board members.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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.

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by Datuk M Chareon Sae Tang @ Tan Whye Aun who is an Independent Non-Executive Director of the Group.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to 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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Nomination Committee evaluates each of the Board members individually and the Audit Committee annually taking into consideration their skillsets and commitment required of them to discharge their duty and is satisfied with the performance of all the Board members and Audit Committee.</p> <p>Each director completes their Performance Evaluation Form on annual basis and submits to the Nomination Committee for assessment. The Directors are required to declare their interest in the Company as well as their directorship in other public companies and other listed issuers. In addition, all Directors also need to confirm if there is any sanction or penalty imposed onto them by relevant regulatory bodies during the financial year or offences convicted within the past five (5) years.</p> <p>The assessment of Audit Committee was conducted through peer and self evaluation.</p> <p>The Nomination Committee is satisfied that the Board, each individual director and the Audit Committee has discharge their duties effectively.</p> <p>The annual assessment on the Board and the Audit Committee effectiveness is conducted internally by the Nomination Committee.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Group’s remuneration policy for directors and senior management is tailored towards attracting and retaining Directors and senior management with relevant experience and expertise needed to assist in managing the Group effectively. The remuneration policy is being reviewed annually by the Remuneration Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee' has a written term of reference to guide the discharging of its duties and responsibilities which includes:-</p> <ul style="list-style-type: none">- ensuring a transparent and formal procedure is established in the development and assessment of the level of compensation that would be sufficient to attract and retain good calibre Directors.- reviewing the composition of the various types of components of remuneration package such as fees, allowances, basic salaries, bonuses and other benefits-in-kind for Directors.- ensuring that the components of the Directors' remuneration package are linked to performance, responsibility levels and is comparable with market norm. <p>The terms of reference of the Remuneration Committee is disclosed on the Company's website at www.tomei.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	The Company has disclosed its directors' detailed remuneration individually on named basis.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The remuneration detail for the members of senior management is disclosed on an aggregated basis only as the Board is of the view that it would not be in the best interest of the Company to disclose these details given the competitiveness in the market for good senior manager in the retail industry.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee of the Group, Mr Lau Tiang Hua is an independent non-executive director and not the Chairman to the Board. The Chairman of the Board is Tan Sri Datuk Dr Ng Teck Fong. This segregation of duties ensures the effectiveness and independent of the Audit Committee and enabled the Board to objectively review the Audit Committee's findings and recommendations.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	Currently, this practice is not applicable as there has not been any new appointment of Audit Committee's members since the quotation of the Company on Bursa Securities in 2006.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	The Audit Committee discusses with the external auditors on both the audit plan and their scope of audit before the commencement of audit work. The Audit Committee also being briefed by the auditor on their audit report upon the completion of audit. In addition, the Audit Committee meets up with the external auditors at least two (2) times a year without the presence of the Management to discuss and obtain feedback on sensitive audit issues. In determining the independence of the external auditors, the Audit Committee has reviewed all aspects of relationships between the Group and the external auditors including the processes, policies and safeguards relating to audit independence and agreed on the audit strategy and the audit fee. The external auditors also declare their independence to the Audit Committee during their audit planning.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises three (3) members and who are exclusively the Independent Non-Executive Directors of the Company.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee members of the Group have attended the Mandatory Accreditation Program (MAP) prescribed by Bursa Securities. They are also being regularly briefed on the Group's operation and takes proactive steps to visit both manufacturing and retailing operation to gain in depth understanding of the business at least once during their tenure in office. On 5 April 2018, the Audit Committees members attended the training titled "Malaysia Code of Corporate Governance Compliance Expectations-What Director needs to know". The profile of the Audit Committee members is disclosed in the profile of the Board of Directors section in the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has established an effective risk management and internal control framework to guide the implementation of its business decision well within the acceptable risk of the Group. The details of the risk management and internal control policy are disclosed in the section Statement of Risk Management and Internal Control of the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The main key elements and features of risk management and internal control systems which is disclosed in the Statement of Risk Management and Internal Control includes:</p> <ul style="list-style-type: none"> - Audit Committee - Risk Management Committee - Clearly defined organization structure and line of reporting - Approved operation manual - Proper and systematic record keeping - Comprehensive business plan and annual budget <p>The Risk Management Committee reviews the risk management framework annually to ensure that it remains adequate and effective</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Risk Management Committee of the Group which comprises majority Independent Non-Executive Directors supports the Board in the overall risk management oversight of the Group. The Committee discharges its duty by:-</p> <ul style="list-style-type: none">- reviewing periodic management reports on risk exposure, risk portfolio and management strategies;- ensuring adequacy of infrastructure, resources and systems for effective risk management;- assessing adequacy of policies and framework for identifying, measuring, and monitoring and controlling risks; and- reviewing the extent to which these are operating effectively.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	The Internal Audit function independently, objectively and regularly review key processes, check compliance with policies/procedures, evaluate the adequacy and effectiveness of internal control, risk management and governance processes established by Management and/or the Board within the Group. The annual audit plan, established primarily on a risk based approach, is reviewed and approved by the Audit Committee annually. At its quarterly meetings, the Head of Internal Audit department presented to the Committee for its deliberation, the progress of the audit plan, including the status of Internal Audit assignments, key findings from audit reports, audit recommendations by the internal auditors, and the representations made, and the corrective actions taken by Management in addressing and resolving issues and ensured that all issues were adequately addressed on a timely basis. The Head of the Internal Audit Department reports directly to the Audit Committee. Your Board, however, is still responsible for ensuring the adherence of the scope of the internal audit function.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	The Group has in place an internal audit function and is independent of the activities it reviews. The Head of the Internal Audit Department reports directly to the Audit Committee. The internal audit personnel are free from any relationships and no conflict of interest, which could impair their objectivity and independence. The Internal Audit Department comprised 5 internal auditors and is headed by Mr. Chew Soon Leong. Mr. Chew Soon Leong is a Certified Internal Auditor from the Institute of Internal Auditors, USA, Member of MIA, IIAM and ACCA. He also holds a Bachelor of Science in applied accounting from Oxford Brookes University, UK. The internal audit works are guided by a detailed annual Audit Plan. The annual Audit Plan is approved by the Audit Committee and thereafter updated as and when necessary after prior approval of the Audit Committee. In discharging its function, the Internal Audit Department adopted the International Professional Practices Framework as well as established auditing guidelines/audit programmes to enhance its efficiency and effectiveness.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board keeps stakeholders informed via announcements, timely release of quarterly financial results, press releases, annual reports and circulars to shareholders. As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Yang Mulia Raja Tan Sri Dato' Seri Aman Bin Raja Haji Ahmad as the Senior Independent Non-Executive Director to whom concerns may be directed. Information of the Group is also accessible through the Company's website at www.tomei.com.my which is updated on regular basis and the Directors welcome feedback channelled through this website. Information available in the website includes among others the Group's Annual Reports, quarterly financial announcements, major and significant announcements and press releases on latest corporate development of the Group. The Board also takes effort to meet up with investors on regular basis to provide up to date information about the Group.</p> <p>The Annual General Meeting ("AGM") serves as the principal forum for dialogue and communication between your Directors and the shareholders. At the AGM, shareholders are given direct access to your Board and are encouraged to participate in its proceedings and seek clarification on the performance of the Group.</p> <p>The Company implements a poll voting for all the resolutions set out in the Notice of AGM via electronic means at the AGM to expedite verification and counting of votes. In addition, the Company appoints one (1) scrutineer to validate the votes casted at the AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group's business decision is made based on its corporate vision emphasizing on the sustainability area of business practices, customers, employees and the communities. Along these objectives, the Group's approach has been tailored in meeting and promoting sustainability from various aspects including the economy, environment and social taking into consideration the interest of all the stakeholders in order to promote a conducive and sustainable business environment.</p> <p>Details of the Group's policies are disclosed in the Sustainability Statement.</p>	
Explanation for departure	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The notice for Annual General Meetings is given to shareholders at least 28 days prior to the meeting together with the Annual Report of the Company and all other relevant materials that will be deliberated in the meeting. The Notice of Annual General Meetings together with the Annual Report for financial year ended 31 December 2017 of the Company was sent out to shareholders on 19 April 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors of the Company attend the General Meeting. Shareholders are given direct access to the Board and are encouraged to participate in its proceedings and seek clarification on the performance of the Group. The Chair of all the Board Committee may takes any questions arise and provide responses to shareholders during the meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	The General Meeting of the Company is held in Kuala Lumpur. The venue chosen for the meeting is easily accessible to shareholders and comes with ample car park. There is no necessity for remote shareholders participation.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
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.

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