

**ANCOM BERHAD (Company No.: 8440-M)**  
**(Incorporated in Malaysia)**

## **STATEMENT ON CORPORATE GOVERNANCE**

### **INTRODUCTION**

The Board of Ancom Berhad (“Company”) (“Board”) acknowledges the importance for the Company and its subsidiary companies (“Group”) to adopt and continuously practicing good corporate governance throughout the Group’s operations to ensure the highest standards of accountability and transparency, as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and financial performance of the Group.

The Board is pleased to present this statement outlining the applications by the Group of the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2017 (“MCCG”) with reference to the Corporate Governance Guide (“Guide”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) for the financial year ended 31 May 2018.

### **PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**

#### Clear Functions of the Board and Management

The Company is led by an experienced Board. From 1 June 2017 to 1 January 2018, the Board comprised one (1) Non-Independent Non-Executive Chairman (“Non-Executive Chairman”), one (1) Group Managing Director (“GMD”), two (2) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors.

On 2 January 2018, the Non-Executive Chairman was re-designated an Executive Director and the GMD was re-designated Executive Chairman (“EC”). A Group Chief Executive Officer (“GCEO”), who is not a Board member, has also been appointed on the same date to take over the role of the GMD.

Both the Non-Executive Chairman and the EC shall be referred to as “Chairman” in this Statement.

The Board assumes full responsibility for the overall management of the Group by providing strategic guidance to and effective oversight of Management. It also provides clear and effective entrepreneurial leadership to Management. In addition to its stewardship responsibilities, the Board is also involved in overseeing the Group’s business affairs and assessing management effectiveness in carrying out the Board’s policies. The Board also ensures that Management has in place an achievable strategic plan and objectives, and appropriate processes for risk assessment, risk management and internal controls.

There is a clear distinction between the roles of the Chairman and the GMD/GCEO with clear division of responsibilities to ensure a balance of power and authority. The Chairman is primarily responsible for instilling good corporate governance practices, leadership and ensuring the Board’s effectiveness and conduct in discharging its responsibilities. The GMD/GCEO, who heads the Management, is responsible for implementing and executing the Board’s corporate decisions and strategies, in addition to the day-to-day operations of the Group to achieve the financial goals set by the Board.

Key responsibilities of the Chairman include–

- Providing leadership for the Board so that the Board can perform its responsibilities effectively;
- Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- Leading Board meetings and discussions;
- Encouraging active participation and allowing dissenting views to be freely expressed;
- Managing the interface between Board and Management;
- Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- Leading the Board in establishing and monitoring good corporate governance practices in the Company.

### Separation of the Positions of the Chairman and the GMD/GCEO

The position of the Chairman and the GMD/GCEO are held by two (2) different persons with different roles and responsibilities. The distinct and separate roles of the Chairman and the GMD/GCEO with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

### Clear Roles and Responsibilities of the Board

The Board retains full and effective control of and responsibility for the Group. It is primarily responsible for charting and reviewing the strategic direction of the Group. The principal duties and responsibilities of the Board are, inter alia, as follows:

- Formulating and charting the strategic direction and setting out the Group's short-term and long-term plans and objectives. This will then be the basis for the GMD/GCEO and Management team to formulate a detailed business plan;
- Reviewing and approving the Group's key operational policies and initiatives and major investment and funding decisions of the Group, new business/ projects and reviewing the same with the GMD/GCEO;
- Overseeing and reviewing the Group's business operations and financial performances to evaluate whether the business is being properly managed and sustained;
- Ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- Overseeing the development, implementation and review of the succession plan for the Directors and the key senior management;
- Understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks;
- Overseeing the development, implementation and reviewing/monitoring of the risk management framework and the adequacy and integrity of the Group's internal control system and management information system to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the business objectives of the Group;
- Ensure that the Company has in place procedures to enable effective communication with stakeholders;
- Ensure the integrity of the Company's and the Group's financial and non-financial reporting; and
- Formulating and promoting ethical and good corporate governance within the Group.

To ensure that the Board and Management are clearly aware of where the limits of responsibility lie and that due consideration is given to issues at the appropriate level, certain matters are formally reserved for the Board's collective decision. These include the business strategies, annual business plan and budgets; significant corporate proposals including mergers and acquisitions; Group business restructuring and new issue of securities; acquisitions and disposal of significant assets and expenditure above certain amount and related party transactions of a material nature. In addition, the Board is responsible for setting the Board policies, as well as authority limits of the GMD/GCEO and Management team. The Board policies and authority limit are subject to regular reviews by the Board.

The Board plays an active role in formulating the Group's strategic direction with the GMD/GCEO and Management team. The Board does not involve itself in the day-to-day business operations of the Group. The Board delegates the authority and responsibility of the Group's management and day-to-day operations to the GMD/GCEO and Management team, which consists of the Divisional Heads/Divisional Managing Directors and the Chief Financial Officers. The GMD/GCEO is overall responsible for the day-to-day management of the Group's business and operations and for implementing the business plans and strategies, in line with the Company's direction as agreed by the Board.

To assist the Board in carrying out its responsibilities more effectively, the Board has established an Audit Committee and a Remuneration and Nomination Committee, which are entrusted with specific responsibilities to oversee the affairs of the Company and with authority to act on behalf of the Board in accordance with their respective Terms of Reference. These are elaborated upon in more detail in the ensuing paragraphs of this Statement.

### Formalised Ethical Standard through Code of Conduct and Ethics

The Board, in discharging its oversight role, conducts its business in observation to the Company's Code of Conduct and Ethics. The Code of Conduct and Ethics is available on the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

The Code of Conduct and Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the aim of achieving the following objectives:

- To establish a standard of conduct and ethical behaviour for Directors based on trustworthiness and value that can be accepted and upheld by the Directors;
- To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations, and guidelines for administering a company; and
- To manage conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics requires all Directors to observe high ethical business standards, to apply these values in all aspects of the Directors' conduct in discharging the Board's oversight responsibilities and to act in good faith in the best interests of the Company and its shareholders.

### Strategically Promoting Sustainability

The Board practises good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance and value creation for its shareholders.

The Group continued to carry out activities which demonstrate its commitment towards creating a better environmental, social and governance and sustainability agenda during the financial year ended 31 May 2018 as reported in the *Sustainability Statement* in this Annual Report.

### Access to Information and Advice

All Directors have unrestricted access to information of the Group and on an ongoing basis, the Directors interact with the Management team to seek further information, updates or explanation on any aspect of the Group's operations or businesses during the quarterly Board of Directors Meetings or as and when they deem necessary. There is no restriction placed on the Directors to request for meetings between the Directors and Management. All Directors have unrestricted access to the service and advice of the Company Secretaries who will advise and update the Directors on new statutory enactments as well as applicable rules, regulations and compliance matters. The Directors may obtain independent professional advice on specific matters relevant to furtherance of their duties whenever necessary at the Company's expense without having the specific approval of the Chairman or the GMD/GCEO.

Prior to the Board/Committee meetings, the Directors are provided with an agenda on matters to be discussed together with the meeting papers which contain minutes of meetings, operational and financial performance reports, details of corporate proposals, the Quarterly Interim Financial Reports or the Annual Audited Financial Statements, reports of the Board/Committees, Internal Audit Reports and other matters for the Directors' perusal before the Board/Committee meetings. The Company Secretaries will strive to provide these materials to the Directors at least five (5) business days prior to the Board/Committee meetings, working within the challenges and constraints of the information gathering process; otherwise, the materials will be provided two (2) days before the meetings while those of a confidential nature will be provided during the Board/Committee meetings.

Senior Management is invited to attend Board and Committee meetings to provide insight and to furnish clarification on issues that may be raised by the Directors. Whenever required, professional advisers appointed by the Company are invited to attend the Board/Committee meetings to provide the Board/Committees, as the case may be, with explanations and clarifications which the Directors may require to facilitate informed decision-making.

### Qualified and Competent Company Secretaries

The Board is supported by two (2) Company Secretaries. Both the Company Secretaries have more than twenty (20) years of experience in company secretarial practices and are qualified to act as a Company Secretary under Section 235(2) of the Companies Act 2016.

The Company Secretaries play an advisory role to the Board in formulating the Company's constitution and Board policies and procedures. The Company Secretaries have a key role to play in ensuring that the Board policies and procedures are both followed and regularly reviewed. They are responsible for the efficient administration of the Company's secretarial practices, particularly with regard to ensuring compliance with the Company's constitution, the Board policies and procedures, the statutory and regulatory requirements and for ensuring that decisions of the Board are implemented. They are also responsible for regularly updating and apprising the Board on new regulations issued by the regulatory authorities as well as corporate governance practices.

One of the key responsibilities of the Company Secretaries is to prepare and organise Directors and Committee meetings and the shareholders meetings. In consultation with the Chairman, the Company Secretaries will prepare the agenda and the relevant meeting papers for these meetings. To ensure the Directors are provided with sufficient information and time to prepare for Board/Committee meetings, the Secretaries will circulate the meeting materials at least five (5) business days in advance of the Board/Committee meetings. The Company Secretaries will also attend these meetings and take minutes which accurately reflect the deliberations and decisions of the Board/Committees, including whether any Directors abstained from voting or deliberating on a particular matter. The Company Secretaries will strive to prepare the minutes within twenty-one (21) days after the Board/Committee meetings for the Board and Committee's review and comment.

The Company Secretaries are also responsible for ensuring that the Company files its various documents/returns and maintains its statutory records in accordance with the requirements of the law. The other roles and responsibilities of Company Secretaries include but not limited to facilitate the orientation of new Directors and assist in Director training and development; monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.

The Company Secretaries work closely with the Chairman and the GMD/GCEO to ensure that there are timely and appropriate information flows within the Board and to the Committees and Management. They are also the focal point for stakeholders' communication.

### Board Charter

In discharging its duties, the Board is guided by the Board Charter. The Company's Board Charter, which was approved by the Board on 16 October 2013 and last reviewed by the Board on 26 July 2018, is available on the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

The Board Charter sets out the authorities, roles, functions, composition and responsibilities of the Board to assist the Directors in being aware of their duties and responsibilities to effectively discharge their fiduciary duties in managing the affairs of the Company.

The Board Charter focuses on the following areas:

- Board composition and Board Committees;
- The duties and responsibilities of the Board members; and
- The Code of Conduct and Ethics for the Board members.

The Board Charter will be updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations.

## Board Composition

The Board at present comprised an EC, an Executive Director, one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors.

A GCEO, who is not a Board member, has also been appointed.

The composition of the Board complies with the requirements of the Listing Requirements where at least one-third (1/3) of the Board must comprise Independent Non-Executive Directors. It also complies with the MCGG in having at least half of the Board composition Independent Non-Executive Directors.

To assist the Board in carrying out its responsibilities more effectively, the Board has established an Audit Committee and a Remuneration and Nomination Committee which are entrusted with specific responsibilities to oversee the affairs of the Company and with authority to act on behalf of the Board in accordance with their respective Terms of Reference.

## Remuneration and Nomination Committee

The Board has combined the functions of the Remuneration Committee and Nomination Committee into a Remuneration and Nomination Committee ("R&N Committee"). The R&N Committee was established on 24 September 2001.

The Terms of Reference of the R&N Committee were last reviewed on 26 July 2018 by the Board and are available on the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

During the financial year, the membership of the R&N Committee, which comprises solely of Independent Non-Executive Directors, is as follows:

Tan Sri Dato' Dr Lin See Yan	(Chairman)
Edmond Cheah Swee Leng	(Member)
Lim Hock Chye	(Member)

The Chairman of the R&N Committee has assumed the following responsibilities:

- Lead the succession planning and appointment of Board members, including the future Chairman and CEO; and
- Lead the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed.

The R&N Committee is primarily responsible for recruiting and recommending suitable appointments to the Board and Committees and for recommending the re-appointment of the retiring Directors. The R&N Committee will take into consideration the Board structure, size, composition and the required mix of expertise and experience which the candidates should bring to the Board. In such evaluation, the R&N Committee will consider the candidates' qualifications, skills, knowledge, expertise and experience, time availability, professionalism, integrity and in the case of appointment of Independent Non-Executive Directors, the candidates' ability to discharge such responsibilities and functions as expected of them.

The Board is also responsible for reviewing and assessing the performance and effectiveness of the Board and the Committees as a whole, and of its Directors individually and collectively as well as the performance of the GMD/GCEO.

The final decision as to whom shall be appointed as a Director remains the responsibility of the Board, after considering the recommendations of the R&N Committee.

The R&N Committee would search for appropriate and suitably qualified candidates for appointment to the Board from time to time as required through recommendation from the fellow Board members or Management. The R&N Committee would assess the candidate's suitability based on a prescribed set of criteria as set out in the Terms of Reference of the R&N Committee and any other additional criteria as may be identified by the R&N Committee from time to time.

The R&N Committee did not utilise independent sources to identify suitably qualified candidates as the Committee understands the specialised industry the Group operates in and the type of candidates whose background fits the criteria of the candidates the R&N Committee is looking for.

The R&N Committee is also responsible for determining and recommending to the Board the remuneration packages of the EC and the Executive Director of the Company. It is also responsible for reviewing and recommending to the Board the remuneration of the Non-Executive Directors. It is the ultimate responsibility of the Board to decide the remuneration of the Directors. The Directors' fees and benefits of the Non-Executive Directors will be endorsed by the Board for approval by the shareholders at the Company's annual general meeting. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

#### Annual Assessment

The R&N Committee reviews and evaluates the performance of the Directors as well as the Committees annually. The results of this assessment form the basis of the R&N Committee's recommendation to the Board for the re-election of Directors at the Company's annual general meeting.

The annual assessment on individual Directors include an evaluation of their:

- Will and ability to critically challenge and ask the right questions;
- Character and integrity in dealing with potential conflict of interest situations;
- Commitment to serve the Company, due diligence and integrity;
- Confidence to stand up for a point of view;
- Key strengths and/or weaknesses; and
- Steps or enhancements proposed to be undertaken to mitigate or address the weaknesses identified.

The R&N Committee does not engage independent expert for the annual assessment as suggested by the MCCG but the Board has taken note that the involvement of independent expert or party to facilitate the Board evaluation periodically will lend greater objectivity to the assessment by providing an unbiased perspective on a Director's performance and his ability to contribute effectively to the Board.

During the financial year ended 31 May 2018, the R&N Committee had two (2) meetings. The R&N Committee, after reviewing the current composition of the Board and the Committees, was satisfied that the Board and Committees comprised Directors who are persons of calibre and credibility with extensive expertise and a wealth of experience in legal, accounting, corporate finance, marketing, public services and business practice, as required under the Board Charter and the Terms of Reference of the Committees, to support the Group's continuous growth and prosperity. Accordingly, the R&N Committee recommended that the current composition of the Board and Committees be retained.

#### Re-election of Directors

In accordance with the Company's Articles of Association ("Articles"), a Director is subject to retire and be eligible for re-election at the next annual general meeting of the Company after his appointment.

The Articles also provide that at least one-third (1/3) of the Board, who are longest in office since their last election, shall be subject to retirement by rotation every year and that each Director shall retire at least once in every three (3) years but he shall be eligible for re-election at the annual general meeting. The EC is also subject to retirement at least once every three (3) years and he shall be eligible for re-election at the annual general meeting.

The motions to re-elect Directors are voted individually, unless a resolution for the re-election of two (2) or more Directors by a single resolution has been passed at the annual general meeting.

The R&N Committee is responsible for making recommendations to the Board on the re-election of Directors who are retiring pursuant to the Articles of the Company.

To assist the shareholders in making their decisions in the re-election of Directors, sufficient information such as personal profiles, attendance at Board and Committee meetings and the shareholdings in the Company of the Directors standing for re-election is furnished in this Annual Report.

#### Board Diversity Policy

The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the Group in selection of Board members. In addition, the Group believes it is of utmost importance that the Board is composed of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and is able to discharge its duties in the best interests of the Company and its shareholders.

The R&N Committee has taken note of the recommendation in the MCCG pertaining to the establishment of a policy on boardroom diversity including gender diversity. The Board is supportive of gender diversity in the boardroom as recommended by the MCCG to promote the representation of women in the composition of the Board.

On 26 July 2018, the Board has formulated a formal Board Diversity Policy which is available on the Company website at [www.ancom.com.my](http://www.ancom.com.my). The appointment of new Directors will be guided by the skills, knowledge, experience and qualifications of the candidates rather than solely by their gender or ethnicity.

Nevertheless, the Board will endeavour to ensure that gender and ethnicity diversity will be considered in nominating and selecting new Directors to be appointed to the Board in future.

#### Remuneration of Directors

The R&N Committee is responsible for recommending the remuneration of the Non-Executive Directors, including Directors' fees and benefits, and after considering a comparison with payments by similar companies, to the Board for its endorsement. During the financial year, the Board has approved the Board Remuneration Policy which maintain strong linkage between remuneration of Directors with performance, value and sustainability of the Company as well as skills and experienced required. The Remuneration Policy is available on the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

It is the ultimate responsibility of the Board as a whole to decide the remuneration of the Directors as per the Board Remuneration Policy. The Directors' fees and benefits of the Non-Executive Directors will be submitted to the shareholders for approval at the annual general meeting of the Company. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

The R&N Committee also assumes the task of recommending to the Board the remuneration package for the GMD/EC and the Executive Director drawing on outside advice as necessary at the Company's expense, and taking into consideration the GMD/EC's and Executive Director's responsibilities, contributions and performance, as well as the market rate for similar positions in comparable companies. The GMD/EC and Executive Director did not participate in the Board's deliberation on their remuneration at the Board meeting. The remuneration of the GMD/EC and Executive Director comprises monthly salary, bonuses, benefits-in-kind ("BIK") and other benefits that the Board approves from time to time. The GMD/EC and Executive Director are not entitled to the Director's fee and attendance allowance for the Board and Board Committee meetings that they attended.

For the last financial year, the Non-Executive Chairman and the Non-Executive Directors of the Board received RM70,000 and RM50,000 respectively as Directors' fees per annum. The members of the Audit Committee received RM30,000 each while the members of the R&N Committee received RM20,000 each per annum. These were as recommended by the R&N Committee and the total Directors' fees of RM520,000 was approved by the shareholders at the 48<sup>th</sup> annual general meeting of the Company.

In addition, the Non-Executive Directors also received attendance allowance amounting to RM416.67 for each Board and Committee meeting attended. The Non-Executive Chairman, who was not entitled for the meeting attendance allowance, was provided with a car and a driver.

In year 2016, the Company engaged a firm of consultants to provide a review of the directors' fees for Non-Executive Directors of 30 Malaysian Public Listed Companies listed on the Main Board of Bursa Securities, based on their most recent annual reports as at 1 January 2016.

Based on the findings of the review and the members' personal experience, the R&N Committee is of the opinion that the amount of Directors' fees and allowances paid in the last financial year were still reflective of the current market rates and recommended the same amount of remuneration to be paid to the Non-Executive Directors in the current financial year.

The Board has endorsed the R&N Committee's recommendation and will propose the same quantum of Directors' fees for the Board and Committees for the current financial year subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The aggregate amount of Directors' remuneration paid or payable to the Directors of the Company for the financial year ended 31 May 2018 is as follows:

Category	Group		Company	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Fees	-	810	-	490
Salaries & bonus	4,253	2,076 <sup>^</sup>	920	-
Other emoluments	174	158	58	17
Benefits-in-kind	109	60	81	32
<b>Total</b>	<b>4,536</b>	<b>3,104</b>	<b>1,059</b>	<b>539</b>

Range of Remuneration*	Number of Directors		Total
	Executive Director	Non-Executive Director	
RM50,001 to RM100,000	-	4	4
RM250,001 to RM300,000	-	2	2
RM500,001 to RM550,000	1	-	1
RM2,250,001 to RM2,350,000 <sup>^</sup>	-	1	1
RM3,950,001 to RM4,000,000	1	-	1
Total	2	7	9 #

# During the financial year, Dato Johari Razak, the Non-Executive Chairman, was re-designated Executive Director of the Company.

<sup>^</sup>This is payable to a Non-Executive Director who is the Executive Director of certain subsidiaries, i.e. Nylex and Redberry Sdn. Bhd.

In addition to the above, the Company has taken up a Directors' and Officers' Liability ("D&O") insurance for coverage of the Directors' defence costs and legal representation expenses incurred by the Directors concerned should any action be brought against them for their actions as Director of the Company and/or its subsidiaries. Nevertheless, the D&O insurance does not indemnify a Director if he is proven to have acted fraudulently or dishonestly or for any intentional breach of the law.

#### Assessment of Independence

The Board, through the R&N Committee, assesses the independence of the Independent Directors. The criteria of an Independent Director include the following:

- The Independent Director is neither an employee nor is related to any major shareholders/Management of the Group and does not participate in the day-to-day operation of the Group and has fulfilled the definition of "Independent Directors" in the Listing Requirements;
- He/she is free from any business or other relationship with the Group which would materially interfere with the exercise of his/her independent judgement on matters at hand; and
- He/she is a person of calibre, credibility and has the necessary skill and experience to bring independent judgement to bear on the issues of strategy, business performance, resources and standards of conduct and to challenge Management in an effective and constructive manner. He/she is able to provide independent views in the Board's discussions and has not shown to have compromised on his/her independent judgement.

The R&N Committee, having conducted the assessment on the Independent Non-Executive Directors, concluded that each of the Independent Non-Executive Directors continues to demonstrate that he has fulfilled the above criteria of an Independent Director.

#### Tenure of Independence

Practice 4.2 of the MCGG states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the 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. The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years. If the Board continues to retain the Independent Director after the twelfth (12<sup>th</sup>) year, the Board will seek annual shareholders' approval through a 2-tier voting process.

The Board is of the view that the length of service of the Independent Directors should not affect a Directors' ability to remain independent and to discharge their duties with integrity and competency. The important criteria that must be possessed by the Independent Directors are their independence from Management and their freedom from any business and other relationship which could interfere with the exercise of independent judgement or the ability to provide the necessary check and balance in the best interests of the Company, as exemplified in the criteria for appointment as Independent Directors mentioned earlier in this Statement. The Board also believes that valuable contributions can be obtained from Directors who have developed valuable insight of the Group and its business due to their long tenure of directorship in the Company. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision-making processes of the Board notwithstanding their tenure on the Board.

Based on the recent assessment in financial year 2018, the Board is satisfied with the level of independency demonstrated by the Independent Directors, i.e. they are independent of Management and free from any business dealing or other relationship with the Group that could be reasonably be materially interfere with their exercise of independent judgement.

Further, the Board had via the R&N Committee conducted an annual performance evaluation and assessment of Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng, who have served as the Independent Directors of the Company for a cumulative term of more than twelve (12) years and recommended that they continue to act as the Independent Directors of the Company based on the following justifications:

- (a) They have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements;
- (b) They have been with the Company for more than twelve (12) years and therefore understand the Company's business operations which enable them to participate actively and contribute during the deliberations or discussions at the Board and Committee meetings;
- (c) They are knowledgeable and have applied their vast experience and due care to discharge their duties and responsibilities as Independent Directors of the Company by exercising independent judgement and bring objectivity to the oversight function of the Board; ; and
- (d) They have given time commitment to attend the Company's meetings and performance of duties and have exercised due care during their tenure as Independent Directors of the Company; and have carried out their professional duties in the interest of the Company.

The Board will seek shareholders' approval at the forthcoming 49<sup>th</sup> Annual General Meeting to retain both Tan Sri Dato' Dr Lin See Yan and Edmond Cheah Swee Leng as Independent Directors of the Company based on the above justifications.

The Board has decided not to adopt the 2-tier voting process as the Board has received legal opinion that the 2-tier voting may not be compatible with the Company's Articles read together with the Companies Act 2016. As such, the Board has chosen not to adopt the 2-tier voting as a precautionary measure.

#### Senior Independent Director

The Board has decided to dispense with the need to appoint a Senior Independent Non-Executive Director to whom any concerns should be conveyed. The Board operates in an open environment whereby opinions and information are freely exchanged and, in these circumstances, any concerns need not be focused on a single Director as all members of the Board fulfil this role individually and collectively.

#### Time Commitment

All the Directors have committed sufficient time to carry out their duties during the tenure of their appointments. To ensure that the Directors have the time to focus on and fulfil their roles and responsibilities, the Directors are not expected to hold more than five (5) directorships in public listed companies, as required in the Listing Requirements.

The Directors are required to inform the Board the proposed proportion of time they will commit to spend in performing their duties when accepting the Company's directorship. They are also required to inform the Board the proposed proportion of time to be committed to each of their appointments, should they wish to accept new board directorships in other public listed companies.

To help the Directors in planning their attendance at the Board and Committee meetings, the Company Secretaries would, at the end of each calendar year, draw up a proposed timetable for all the Board and Committee meetings, including the annual general meeting, to be held in the next calendar year. Reminders are also sent to the Directors prior to each Board/Committee meeting.

The Board holds its Board meetings quarterly and additional meetings are convened as and when necessary as determined by the Chairman or as requested by the Directors. The attendance records below indicate the level of commitment of the Directors in carrying out their duties as Directors of the Company.

There were four (4) Board meetings, five (5) Audit Committee meetings and two (2) R&N Committee meetings held during the financial year. The attendance records of the Directors are as follows:

Name of Director	Attendance
<u>Board Meetings:</u>	
Dato' Siew Ka Wei	4/4
Dato' Johari Razak	3/4
Tan Sri Dato' Dr Lin See Yan	3/4
Tan Sri Mohamed Al Amin Abdul Majid	3/4
Tan Sri Dato' Seri Abdull Hamid Bin Embong	4/4
Chan Thye Seng	3/4
Edmond Cheah Swee Leng	4/4
Lim Hock Chye	4/4
<u>Audit Committee Meetings:</u>	
Edmond Cheah Swee Leng	5/5
Dato' Johari Razak (Resigned on 2 January 2018)	2/3
Lim Hock Chye	5/5
Tan Sri Dato Seri Abdull Hamid Bin Embong (Appointed on 23 January 2018)	2/2
<u>R&amp;N Committee Meetings:</u>	
Tan Sri Dato' Dr Lin See Yan	1/2
Edmond Cheah Swee Leng	2/2
Lim Hock Chye	2/2

All the Directors have fulfilled the required attendance of Board meetings during the financial year as prescribed under the Listing Requirements.

All the Directors have attended the Company's 48<sup>th</sup> annual general meeting in October 2017.

#### Continuing Education Programme and Training

All Directors have completed the Directors' Mandatory Accreditation Programme ("DMAP") prescribed by Bursa Securities.

The Board has assumed the onus of determining and overseeing the training needs of the Directors. The Directors are mindful of the need for continuous training to keep abreast of the relevant changes in laws, regulations and the business environment to effectively discharge their responsibilities and are encouraged to attend forums, training and seminars in accordance with their respective needs in discharging their duties as Directors. The Company Secretaries will also provide updates to the Directors from time to time on relevant guidelines and statutory and regulatory requirements.

In May 2018, the Company organised a workshop on "Key Amendments to the Listing Requirements Arising From Companies Act 2016" facilitated by a professional trainer for the Directors of the Company and its listed subsidiaries, Nylex (Malaysia) Berhad and Ancom Logistics Berhad.

All the Directors of the Company have attended the above workshop except for Lim Hock Chye and Tan Sri Dato Seri Abdull Hamid Bin Embong

Tan Sri Dato Seri Abdul Hamid attended the 9th International Conference on Financial Crime and Terrorism Financing (IFCTF) 2017 in October 2017.

Lim Hock Chye has undertaken that he will attend at least one suitable course/workshop/seminar in the next financial year.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Compliance with Applicable Financial Reporting Standards

The Board strives to present true and fair, comprehensive, balanced and meaningful evaluation and assessment of the financial performance, financial position and future prospects of the Group in the Annual Audited Financial Statements and the Quarterly Interim Financial Reports of the Company and of the Group.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Company and the Group, to enable them to ensure that the financial statements are prepared in accordance with the Companies Act 2016, the Malaysian Financial Reporting Standards (“MFRSs”), the International Financial reporting Standards (“IFRSs”), the Listing Requirements and other statutory and regulatory requirements.

The Board has established an Audit Committee to assist the Board in discharging its responsibility more effectively. The activities of the Audit Committee are elaborated in more detail in the ~~Report of the~~ *Audit Committee Report* in this Annual Report.

At the Audit Committee meetings, the Audit Committee reviews the Quarterly Interim Financial Reports of the Group together with Management and the Annual Audited Financial Statements together with Management and the External Auditors. Thereafter, the Audit Committee will recommend to the Board to approve the same prior to releasing the Quarterly Interim Financial Reports and Annual Audited Financial Statements to Bursa Securities within the stipulated time frame.

### Assessment of Suitability and Independence of External Auditors by the Audit Committee

The Company has a formal and transparent relationship with BDO, the External Auditors, primarily through the Audit Committee.

Under its Terms of Reference and External Auditors Assessment Policy, the Audit Committee has explicit authority to communicate directly with the External Auditors. Meetings with the External Auditors are held as appropriate to discuss audit plans, audit findings and the financial statements. Whenever required, the Audit Committee will hold private sessions with the External Auditors in the absence of the Management to discuss the issues affecting the Group, if any.

The Audit Committee is empowered by the Board to assess the independence and performances of the External Auditors and to review all issues in relation to their appointment, re-appointment, resignation or dismissal.

The assessment of independence focuses on whether there exists any relationship between the External Auditors and the Directors or Senior Management and major shareholders of the Group as well as any conflict of interest situation arising therefrom, including the extent of non-audit services performed by the External Auditors during the financial year that will give rise to questions about the External Auditors’ independence and objectivity in carrying out the responsibilities entrusted to them. The assessment of performance focuses on the External Auditors’ experience, competency, resources of the firm, the quality of the staff assigned to audit the Company and its subsidiaries’ accounts and the Audit Committee’s opinion on the quality of the reports to the Audit Committee.

During the financial year, the Audit Committee had assessed the External Auditors’ performance and independence based on the above criteria and was satisfied of the External Auditors’ competency and independence. The External Auditors have given a written assurance to the Audit Committee that they have complied with the relevant ethical requirements regarding their professional independence.

As such, the Audit Committee has recommended to the Board to re-appoint Messrs BDO as the External Auditors. The Board concurred with the Audit Committee's recommendation and has recommended to the shareholders to approve Messrs BDO's re-appointment at the forthcoming 49<sup>th</sup> Annual General Meeting of the Company.

#### Sound Framework to Manage Risk

The Board acknowledges its responsibility to maintain a sound Risk Management and Internal Control system covering not only financial controls but also operational and compliance controls to identify risks in operations and finance and to design measures to manage those risks. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as to safeguard shareholders' investments and the Group's assets. The Board, through the Audit Committee, seeks regular assurance on the continuity and effectiveness of the internal control system through independent reviews by the Internal Auditors and the External Auditors.

As per its Terms of Reference, the Audit Committee has been explicitly accorded the power to appoint, and to decide on the remuneration and the resignation/dismissal of the Internal Auditors. It has also been empowered to ensure that the Internal Audit function reports directly to the Audit Committee, that it is independent of the functions it audits and has the authorities and resources necessary to carry out its responsibilities. It will also approve the Internal Audit Plan and review and assess the performance of the Internal Audit function.

#### Internal Audit Function

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investments and the Group's assets, the Board outsourced the Internal Audit function to an independent firm of consultants during the financial year as in the previous financial year.

The Internal Auditors conduct regular audits to review the adequacy and effectiveness of the Group's Risk Management and Internal Control system in identifying and managing principal risks, ensuring compliance with the law and regulations and preserving the quality of assets and the integrity of the management information system.

Please refer to the *Audit Committee Report* in this Annual Report for more details.

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### Corporate Disclosure Policy

The Board acknowledges the importance of timely and thorough dissemination of information to its investors and shareholders. The Board regards regular communications with the public via various announcements and the issuance of Annual Reports, circulars and press releases as key to building a good relationship with its shareholders.

In line with the Listing Requirements and best practices recommended by the MCCG, the Company must disclose to the public all material information necessary for informed investment decisions and take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information. The Board strives to disclose such information to the public as soon as practicable through Bursa Securities, the media and the Company's website at [www.ancom.com.my](http://www.ancom.com.my), and to ensure that such information is handled properly to avoid leakage and improper use of such information.

The Company shall disclose all material information required to be disclosed under applicable securities laws, in accordance with a consistent procedure and in accordance with such laws, as per the disclosure principles listed below:

- Material information will be immediately announced to Bursa Securities first and later made available at the Company website;
- Material information will be kept confidential temporarily if the immediate release of such information would cause unduly detrimental to the interests of the Company;
- Content of disclosure must be factual and non-speculative and include any information the omission of which would cause the rest of the disclosure misleading;
- The disclosure must be corrected immediately if the Company learns that an earlier disclosure by the Company contained a material error at the time it was originally disclosed;
- The Company does not comment, affirmatively or negatively, on rumours. This also applies to rumours on the internet. Should Bursa Securities request that the Company to make a definitive statement in response to a market rumour that is causing significant volatility in the price of the Company's securities, the Chairman/GMD/GCEO will respond appropriately after consulting with the Board for advice if time permits, before a reply is given to Bursa Securities; and
- All investors must have equal access to material information. Selective disclosure is not allowed.

Information is considered material if it is reasonably expected to have a material effect on the price, value and market activity of the Company's securities or the decision of a holder of security or an investor in determining his/her choice of actions.

The Company Secretaries are assigned to compile such information for the approval of the Board as soon as possible and for releasing such information to the market as stipulated by Bursa Securities.

#### [Leverage on Information Technology](#)

The Company disseminates information in relation to its financial performance, operations and corporate developments through the Annual Reports, Quarterly Interim Financial Reports, circulars and various general announcements. The Company releases all material information publicly through Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) and via the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

#### [Shareholders' Participation at General Meetings](#)

General meetings remain the principal forum for dialogue between the Company and its shareholders, as the Company's general meetings provide a means of communication with shareholders.

At the general meetings, the Board encourages and gives sufficient opportunity for the shareholders to ask questions regarding the affairs of the Group, its financial performance and the resolutions being proposed at the meetings. The Chairman, when presenting the agenda items for voting, will give a brief background on the items to be voted on and shareholders are invited to give their views and raise question before voting takes place.

The Company holds its general meetings at places that are easily accessible and at a time convenient to the shareholders to encourage them to attend the meetings.

In line with the Listing Requirements, to encourage more shareholders participation at the Company's general meetings, the Company allows any member who is entitled to attend and vote at the general meeting to appoint a proxy to attend and vote for him/her and the proxy so appointed may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The Company's Articles explicitly allows the right of a proxy to speak at general meetings. Notices of meeting convening the general meetings and related circulars are sent to the shareholders in accordance with the regulatory and statutory provisions. All notices are advertised in a national English newspaper within the prescribed deadlines.

Minutes are kept to record the proceedings at the annual general meetings by the Company Secretaries and a summary of key matters discussed at the general meetings and the minutes are available for inspection by the Company's shareholders at the Company's registered office at Unit 30-01, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The summary of key matters discussed at the general meetings is also posted at the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

#### Poll Voting

All resolutions that put to the shareholders for decision will be carried out via poll voting.

#### Effective Communication and Proactive Engagement with Stakeholders

Announcements on corporate developments are made on a timely basis to Bursa Securities and these are made available to the public via Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) as well as on the Company's website at [www.ancom.com.my](http://www.ancom.com.my).

Shareholders and investors are encouraged to submit their queries and concerns to the Company via the Company's website at [www.ancom.com.my](http://www.ancom.com.my) or e-mail at [cosec@ancom.com.my](mailto:cosec@ancom.com.my). The queries will be attended to by the Company' Secretaries, the Board or the Senior Management, as the case may be.

#### **CONCLUSION**

The Board recognises the importance of the Group practising good corporate governance and has made it a corporate policy to continuously improve on its corporate governance practices and structure to achieve an optimal governance framework.