

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 8440-M  
**COMPANY NAME** : Ancom Berhad  
**FINANCIAL YEAR** : 31 May 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>▪ 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 Executive Chairman (EC)/Group Managing Director ("GMD"/Group Chief Executive Officer ("GCEO") and Management team to formulate a detailed business plan;</li> <li>▪ 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 EC/GMD/GCEO;</li> <li>▪ Overseeing and reviewing the Group's business operations and financial performances to evaluate whether the business is being properly managed and sustained;</li> <li>▪ Ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;</li> <li>▪ Overseeing the development, implementation and review of the succession plan for the Directors and the key senior management;</li> </ul> |

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|   | <ul style="list-style-type: none"> <li>▪ Understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;</li> <li>▪ 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;</li> <li>▪ Ensure that the Company has in place procedures to enable effective communication with stakeholders;</li> <li>▪ Ensure the integrity of the Company's financial and non-financial reporting; and</li> <li>▪ Formulating and promoting ethical and good corporate governance within the Group.</li> </ul> |
| <b>Explanation for departure</b> :  |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |
| <b>Measure</b> :  |  |
| <b>Timeframe</b> :  |  |

## Intended Outcome

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

### Practice 1.2

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

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| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>For the period of 1 June 2017 to 1 January 2018, the role of Board Chairman ("Chairman") is held by Dato' Johari Razak, a Non-Independent Non-Executive Director. On 2 January 2018, Dato' Johari Razak was re-designated an Executive Director, and the GMD Dato' Siew Ka Wei, was re-designated Executive Chairman ("EC").</p> <p>Key responsibilities of the Chairman and subsequently, EC, include–</p> <ul style="list-style-type: none"> <li>• Providing leadership for the Board so that the Board can perform its responsibilities effectively;</li> <li>• Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;</li> <li>• Leading Board meetings and discussions;</li> <li>• Encouraging active participation and allowing dissenting views to be freely expressed;</li> <li>• Managing the interface between Board and Management;</li> <li>• Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and</li> <li>• Leading the Board in establishing and monitoring good corporate governance practices in the Company</li> </ul> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |

## Intended Outcome

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

### Practice 1.3

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

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | The position of the Chairman and the GMD, and subsequently, the EC and the GCEO are held by two (2) different persons with different roles and responsibilities. The distinct and separate roles of the Chairman/EC 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 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, on the other hand, 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. |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

## Intended Outcome

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

### Practice 1.4

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

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The 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.</p> <p>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 of Directors are implemented. They are also responsible for regularly updating and apprising the Board on new regulations issued by the regulatory authorities.</p> <p>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. 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.</p> <p>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; and serve as a focal point for stakeholders' communication and engagement on corporate governance issues.</p> <p>The Company Secretaries work closely with the Chairman/EC and the GMD/GCEO to ensure that there are timely and appropriate information flows within the Board and to the Board Committees and Management. They are also the focal point for stakeholders' communication.</p> |

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

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

### Practice 1.5

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

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | In consultation with the Chairman/EC, the Company Secretaries will prepare the agenda and the relevant meeting papers for the Board and Committee 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 strive to prepare the minutes within twenty-one (21) days for the Board and Committee's review and comment. |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
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## Intended Outcome

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

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

### Practice 2.1

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

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

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| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Board 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 in the Company's website at <a href="http://www.ancom.com.my">www.ancom.com.my</a>.</p> <p>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.</p> <p>The Board Charter focuses on the following areas:</p> <ul style="list-style-type: none"> <li>▪ Board composition and Board Committees;</li> <li>▪ The duties and responsibilities of the Board members; and</li> <li>▪ The Code of Conduct and Ethics for the Board members.</li> </ul> <p>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.</p> |
| <b>Explanation for departure</b>  | : | <br><br>   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  | : |  |

## Intended Outcome

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

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

### Practice 3.1

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

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

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| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>The Board conducts its business in observation to the Company's Code of Conduct and Ethics</p> <p>The Code of Conduct and Ethics is available on the Company's website at <a href="http://www.ancom.com.my">www.ancom.com.my</a>.</p> <p>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:</p> <ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations, and guidelines for administering a company; and</li> <li>▪ To manage conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.</li> </ul> <p>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.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
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## Intended Outcome

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

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

### Practice 3.2

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

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| <b>Application</b>   | : | Departure   |
| <b>Explanation on application of the practice</b>  | : |   |
| <b>Explanation for departure</b>   | : | <p>Currently, the Board does not have a formal Whistle Blowing Policy in place.</p> <p>However, the Board encourages employees and stakeholders to report and disclose any wrongdoing or improper conduct relating to unlawful conduct, inappropriate behaviour, malpractices, any violation of established written policies and procedures within the Group or any action that is or could be harmful to the reputation of the Group and/or compromise the interests of the shareholders, clients and the public, to the Company.</p> <p>Employees and stakeholders are encouraged to submit their reports and concerns to the Company via the Company's website at <a href="http://www.ancom.com.my">www.ancom.com.my</a> or e-mail at <a href="mailto:cosec@ancom.com.my">cosec@ancom.com.my</a>. The reports will be attended to by the Company' Secretaries, the Board or the Senior Management, as the case may be.</p> <p>The Board, together with Management, is in the midst of developing a formal Whistle Blowing Policy and Procedure. The Whistle Blowing Policy and Procedure is expected to be published in the Company's website within one (1) year.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

## Intended Outcome

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

### Practice 4.1

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

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | During the financial year, the Board comprises of eight (8) directors, with four (4) of them being Independent Directors |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
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## Intended Outcome

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

### Practice 4.2

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

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

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| <b>Application</b>                                | : | Applied - Annual shareholders' approval for independent directors serving beyond nine (9) years<br>Departure – The Board has decided not to adopt the 2-tier voting process   |
| <b>Explanation on application of the practice</b> | : | The Board will seek shareholders' approval to retain the Independent Directors who have served for a cumulative period of nine (9) years with justifications.   |
| <b>Explanation for departure</b>                  | : | <p>The Board has decided not to adopt the 2-tier voting process for the approval to retain both Tan Sri Dato Dr Lin See Yan and Edmond Cheah Swee Leng, who have served for a cumulative period of twelve (12) years as Independent Directors of the Company.</p> <p>The Board has received legal opinion that the 2-tier voting may not be compatible with the Company's Articles of Association read together with the Companies Act 2016. As such, the Board has chosen not to adopt the 2-tier voting as a precautionary measure.</p> <p>However, the Board will seek shareholders' approval to retain both Tan Sri Dato Dr Lin See Yan and Edmond Cheah Swee Leng to serve as Independent Directors of the Company based on the following justifications:</p> <ul style="list-style-type: none"><li>(a) They have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements;</li><li>(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;</li><li>(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</li><li>(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.</li></ul> |

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

### **Intended Outcome**

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

### **Practice 4.3 - Step Up**

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

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| <b>Application</b> :                             | Not adopted, as explained in Practice 4.2 above. |
| <b>Explanation on adoption of the practice</b> : |  |

## Intended Outcome

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

### Practice 4.4

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

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| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>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 shareholders.</p> <p>The Remuneration and Nomination (“R&amp;N”) Committee has taken note of the recommendation in the Malaysian Code on Corporate Governance 2017 (“Code”) 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 Code to promote the representation of women in the composition of the Board.</p> <p>On 26 July 2018, the Board has adopted a formal Board Diversity Policy which is available on the Company website at <a href="http://www.ancom.com.my">www.ancom.com.my</a>. The appointment of new Board Directors will be guided by the skills, knowledge, experience and qualifications of the candidates rather than solely by their gender or ethnicity.</p> <p>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.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |

## Intended Outcome

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

### Practice 4.5

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

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| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The R&amp;N Committee has taken note of the recommendation in the Code 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 Code to promote the representation of women in the composition of the Board.</p> <p>Selection of female candidates will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience. The ultimate decision to appoint female candidates will be based on merit and contribution that the chosen candidates will bring to the Board. Where suitable candidates are found in future, the Board may seek to increase representation from female members.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |
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## Intended Outcome

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

### Practice 4.6

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

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| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | 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.   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
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## Intended Outcome

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

### Practice 4.7

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

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The R&N Committee is chaired by Tan Sri Dato' Dr Lin See Yan, an Independent Non-Executive Director. |  |
| <b>Explanation for departure</b>   | : |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
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## Intended Outcome

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

### Practice 5.1

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

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

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| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Board is responsible for reviewing and assessing the performance and effectiveness of the Board and the Board Committees as a whole, and of its Directors individually and collectively as well as the performance of the GMD/GCEO.</p> <p>The annual assessment on individual Directors include an evaluation of their:</p> <ul style="list-style-type: none"> <li>• Will and ability to critically challenge and ask the right questions;</li> <li>• Character and integrity in dealing with potential conflict of interest situations;</li> <li>• Commitment to serve the Company, due diligence and integrity;</li> <li>• Confidence to stand up for a point of view;</li> <li>• Key strengths and/or weaknesses;</li> <li>• Steps or enhancements proposed to be undertaken to mitigate or address the weaknesses identified.</li> </ul> <p>During the financial year ended 31 May 2018, the R&amp;N Committee had two (2) meetings in July 2017 and October 2017. The R&amp;N Committee, after reviewing the current composition of the Board and the Board Committees, was satisfied that the Board and Board 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 Board Committees, to support the Group's continuous growth and prosperity. Accordingly, the R&amp;N Committee recommended that the current composition of the Board and Board Committees be retained.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |

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## 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.

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|---|---|---|
| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>The R&amp;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.</p> <p>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.</p> <p>The R&amp;N Committee also assumes the task of recommending to the Board the remuneration package for the EC/GMD, drawing on outside advice as necessary at the Company's expense, and taking into consideration the EC/GMD's responsibilities, contributions and performance, as well as the market rate for similar positions in comparable companies.</p> <p>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 <a href="http://www.ancom.com.my">www.ancom.com.my</a>.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |

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

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

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

### Practice 6.2

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

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

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|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | The Board has combined the functions of the Remuneration Committee and Nomination Committee into a <b>R&amp;N Committee</b> .<br><br>The Terms of Reference of the R&N Committee which were last reviewed on 26 July 2018 by the Board, is available on the Company's website at <a href="http://www.ancom.com.my">www.ancom.com.my</a> . |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

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

### Practice 7.1

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | <p>The Board is of the view that disclosure of the remuneration of the Directors on individual named basis is not in the best interest of the Company due to the following reasons:</p> <ul style="list-style-type: none"><li>(i) The Company considers the information of the remuneration of Board of Directors to be sensitive;</li><li>(ii) The detailed remuneration disclosure could possibly give rise to the Directors' security concerns; and</li><li>(iii) The Board is of the opinion that such information will not add significant value and understanding towards the evaluation of the Company's standard of Corporate Governance.</li></ul> <p>The Board is of the view that the disclosure of the Directors' aggregated remuneration on unnamed basis in the bands of RM50,000 in the Company's Annual Report ("AR") 2018, is adequate.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

### Practice 7.2

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

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| <b>Application</b>  | : | Departure  |
| <b>Explanation on application of the practice</b>   | : |  |
| <b>Explanation for departure</b>  | : | <p>The Board is of the view that disclosure of the remuneration details for senior management staff is detrimental to the Company's management of its human resources due to the following reasons:</p> <ul style="list-style-type: none"> <li>(i) The detailed remuneration disclosure could possibly give rise to recruitment and talent retention issues, unnecessary staff rivalry and disillusionment;</li> <li>(ii) The detailed remuneration disclosure may expose the key personnel to competitor as the information of the remuneration of top management is sensitive in view of the competitive nature of the human resource market; and</li> <li>(iii) The detailed remuneration disclosure could threaten the integrity of the Company as each remuneration package is meant to be confidential.</li> </ul> <p>The Board is of the opinion that such information will not add significant value and understanding towards the evaluation of the Company's standard of Corporate Governance.</p> |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  | : |  |

### **Intended Outcome**

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

### **Practice 7.3 - Step Up**

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

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The Chairman of the Audit Committee ("AC") is not the Chairman of the Board. |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.2

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

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|---|---|--|
| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Term of Reference of AC has a policy that requires a former key audit partner of its external auditor to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.</p> <p>Currently, none of the members of the AC are former key audit partners.</p> <p>The Terms of Reference of the AC is available for reference in the Company's website at <a href="http://www.ancom.com.my">www.ancom.com.my</a>.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  | : |  |

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

|   |   |   |
|---|---|---|
| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>Under its Terms of Reference and External Auditors Assessment Policy, the AC 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.</p> <p>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 AC's opinion on the quality of the reports to the AC.</p> <p>The External Auditor Assessment Policy is available for reference in the Company's website at <a href="http://www.ancom.com.my">www.ancom.com.my</a>.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |

### **Intended Outcome**

There is an effective and independent Audit Committee.

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

### **Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

|  |   |   |
|--|---|---|
| <b>Application</b>                             | : | Applied   |
| <b>Explanation on adoption of the practice</b> | : | The membership of the AC comprised solely of Independent Directors. |

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

|  |   |  |
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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | All members of the AC are financially articulate and are able to perform their duties and responsibilities as spelt out in the Terms of Reference of the AC.<br><br>The Chairman of the AC is a member of the Malaysian Institute of Accountants ("MIA").<br><br>The summary of work of the AC is available in the AC Report in the Company's AR 2018. |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

## Intended Outcome

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

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

### Practice 9.1

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

|   |   |
|---|---|
| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Statement on Risk Management and Internal Control in the Company's AR 2018 outlines the nature and scope of risk management and internal control of the Company and its subsidiaries during the financial year under review.</p> <p>The Board is responsible for the establishment and maintenance of a sound Risk Management and Internal Control system in the Group. The Board is also responsible for reviewing the adequacy, effectiveness and integrity of the Group's Risk Management and Internal Control system through ongoing and independent reviews carried out by the Internal Audit function of the Group. The Internal Audit reviews focus on achieving the following objectives:</p> <ul style="list-style-type: none"><li>▪ The effectiveness and efficiency of operations;</li><li>▪ Reliability of reporting;</li><li>▪ Compliance with applicable laws and regulations; and</li><li>▪ Safeguarding of assets.</li></ul> <p>It is important to note that the Group's Risk Management and Internal Control system is designed to manage and mitigate, rather than to eliminate, the risks that may impede the achievement of the Group's business objectives due to its inherent limitations in any system of internal control. As such, the Group's Risk Management and Internal Control system can only provide reasonable and not absolute assurance against material misstatement of financial information, financial losses or fraud.</p> <p><b>RISK MANAGEMENT</b></p> <p>The Board confirms that there is an on-going process of identifying, assessing and responding to risks for achieving the objectives of the Group for the financial year under review. The process is in place for the financial year under review and up-to-date of the issuance of the Statement on Risk Management and Internal Control.</p> <p>The process of risk identification involves in reviewing and identifying the possible risk exposure which arising from both internal and external environment changes and operation conditions. The risk measurement guidelines consist of financial and non-financial qualitative measure of risk consequences based on risk likelihood rating and risk impact rating.</p> |

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|   | <p>As part of the Risk Management process, a Registry of Risks and a Risk Management Handbook were adopted. The Registry of Risks is maintained to identify principal business risks and updated for on-going changes in the risk profile. The Risk Management Handbook summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concepts. The responsibility of respective risk owner is to identify and ensure the adequate control systems are implemented to minimise and control the risks which faced by the Group.</p> <p>The management has been empowered with the responsibility to manage the risks and internal controls that associated with the operations of the Group and to ensure the compliance with the applicable laws and regulations. The management appointed an Officer to review, update and report the key risk factors of key operating subsidiaries in each quarterly Audit Committee meeting. Besides, any significant issue and control implemented were discussed at management meetings and quarterly Audit Committee Meetings.</p> <p><b>INTERNAL AUDIT FUNCTIONS</b></p> <p>In accordance with the Malaysian Code on Corporate Governance 2017, the Group in its efforts to provide adequate and effective internal control system had appointed an independent consulting firm to review the adequacy and integrity of its system of internal control and perform the role of Internal Auditors. The Internal Auditors report directly to the Audit Committee.</p> <p>The internal audit reviews addressed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Group and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group. Quarterly Internal Audit Reports and Status Report on follow up actions were tabled to the Audit Committee during quarterly Audit Committee Meetings.</p> |
| <p><b>Explanation for departure</b> :</p>   |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |
| <p><b>Measure</b> :</p>   |   |
| <p><b>Timeframe</b> :</p>   |   |

## Intended Outcome

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.

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| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>As part of the Risk Management process, a Registry of Risk and the Risk Management Handbook were adopted. The Registry of Risk is maintained to identify principal business risk and updated for on-going changes in the risk profile. The Risk Management Handbook summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concept. The responsibility of respective risk owners are to identify and ensure the adequate control systems are implemented to minimise and control the risks which faced by the Group.</p> <p>The management has been empowered with the responsibility to manage the risk and internal controls that associated with the operations of the Group and to ensure the compliance with the applicable laws and regulations. The management appointed an Officer to review, update and report the key risk factors of key operating subsidiaries in each quarterly Audit Committee (AC) meeting.</p> <p><b>Key Elements of the Group's Internal Control System:-</b></p> <ul style="list-style-type: none"> <li>▪ <b>Organisational Structure and Responsibility Levels</b><br/>The Group's organisational structure has clearly defined levels of authority and lines of responsibility, from operating units up to the Board level, to ensure accountabilities for risk management and control activities. There is proper segregation of duties and responsibilities to eliminate the incidence of an employee having total control of a business process.<br/>The Board has entrusted the daily running of the business to the GMD/GCEO and his Management team. The GMD/GCEO is assisted by the Divisional Managing Directors who are "hands on" in running the operating divisions. Experienced and competent employees have been placed in positions of responsibility to ensure that the objectives of the Group's Risk Management and Internal Control System are achieved.</li> <li>• <b>Risk Management Process</b><br/>The Risk Management process in the Group is embedded within the Group's business operations and guided by the operational manuals and policies and procedures of the Group. The Group's Risk Management Framework encompasses an ongoing process for identifying and assessing the key risks affecting the Group's operations and results. The process of mitigating these risks is then identified and evaluated on its effectiveness and finally, the owners</li> </ul> |

|   |   |
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|   | <p>who will be responsible to monitor the occurrence of the risks are assigned.</p> <ul style="list-style-type: none"> <li>▪ <b>AC and Internal Audit</b><br/>A Risk Management Working Group (“RMWG”), comprising the GMD/GCEO, Chief Financial Officer and Senior General Manager, Corporate Affairs acting as the Risk Officer has been set up to report matters relating to Risk Management and Internal Control to the Audit Committee.<br/>The RMWG shall consider any matters relating to the identification, assessment, monitoring and management of risks associated with the Group that it determines to be appropriate.</li> </ul> <p>The AC has been empowered to ensure that the Internal Audit function reports directly to the AC, that it is independent of the functions it audits and has all the authorities and resources necessary to carry out its responsibilities. It approves the Internal Audit Plan and reviews and assesses the performance of the Internal Audit function.</p> <ul style="list-style-type: none"> <li>• <b>Reporting and Review</b><br/>The GMD/GCEO holds meetings whenever applicable with the Divisional Managing Directors and Senior Management to discuss and resolve operational, corporate, financial and key management issues. A performance review comparing the actual results with the previous year’s results and the explanations on significant variances are presented to the Board during the Board meetings.</li> </ul> <p>The Group’s Quarterly Interim Financial Report and Annual Audited Financial Statements are only released to Bursa Securities after being reviewed by the AC and approved by the Board.</p> <ul style="list-style-type: none"> <li>• <b>Group Policies and Procedures</b><br/>The Group’s Policies and Procedures are a formal guide for the Management and employees of the Group to carry out their day-to-day duties. The Group’s Policies and Procedures cover the following core areas: authority limits and authorisation mandates, protection and maintenance of assets, human resources management, sales, finance, procurement and operations. The Limits of Authority in the Group’s Policies and Procedures will delineate authority limits to the appropriate persons to ensure accountability and segregation of duties.</li> </ul> |
| <p><b>Explanation for departure</b> :</p>   |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |
| <p><b>Measure</b> :</p>   |   |
| <p><b>Timeframe</b> :</p>   |   |

### **Intended Outcome**

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.

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

## Intended Outcome

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

### Practice 10.1

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

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The AC recognises the importance of the Internal Audit function and the need for it to be independent of Management in order to carry out its function effectively. During the financial year, the Group's Internal Audit function was outsourced to an firm of independent consultants. The Internal Audit function assists the Board in reviewing the adequacy and effectiveness of the Group's internal control system in identifying and managing principle risks, ensuring compliance with the law and regulations, preserving the quality of assets and the integrity of the management information system and consequently determining the future requirements for the internal control system.</p> <p>The Internal Audit reviews are conducted on a functional areas basis that concentrates on areas of concern where the Internal Auditors can play a role in providing inputs for further improvements, thus providing a valuable resource to evaluate processes and give assurance in relation to internal control effectiveness. The Internal Audit review is conducted according to the Internal Audit Plan approved by the AC. The deliverables include the Quarterly Internal Audit Review Report with major findings and recommendations to be presented to the AC</p> <p>The Internal Audit Plan covers the key functional areas and business activities of the major subsidiaries of the Group. The Internal Audit review places emphasis on best practices and management assurance that encompass all the business risks, particularly on:</p> <ul style="list-style-type: none"> <li>▪ The effectiveness and efficiency of operations;</li> <li>▪ Reliability of reporting;</li> <li>▪ Compliance with applicable law and regulations; and</li> <li>▪ Safeguarding of assets.</li> </ul> <p>The Internal Audit review evolves with changing risk profiles and adds value to the business, as well as assisting with improving business efficiency performance. The internal audit approach broadly involves inquiry, analysis and review of the internal audit areas.</p> <p>The Internal Auditors conducted four (4) reviews during the financial year. At the AC meetings, the Internal Auditors presented their Quarterly Internal Audit Review Reports to the AC for review and discussion with Management. The Quarterly Internal Audit Review Reports highlighted the Internal Auditors' review and findings on the Group's compliance with the established internal policies and procedures, their assessment of the magnitude of the financial effects arising from the weaknesses noted, as well as the Internal Auditors' recommendations on the corrective actions to overcome the</p> |

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|   | <p>weaknesses and Management's comments and agreed actions thereon. The Internal Auditors reported their follow-up findings and highlighted any non-actions by Management in subsequent AC meetings.</p> <p>Premised on the above, the AC is of the opinion that the Internal Audit function is effective and able to function independently.</p> |  |
| <p><b>Explanation for departure</b></p>   |   |  |
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| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <p><b>Measure</b></p>   |   |  |
| <p><b>Timeframe</b></p>   |   |  |

## Intended Outcome

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.

|  |   |  |  |
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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>As disclosed in the AC's Terms of Reference, one of the roles of the AC is to deal with the review and assessment of the Company's Internal Audit function and that the Internal Auditors are to report directly to the AC.</p> <p>The Company outsourced its Internal Audit function to Sterling Business Alignment Consulting Sdn Bhd ("SBAC"), a firm of independent consultants. SBAC has confirmed that SBAC and it's personnel are free from any relationships or conflict of interest with the Company, the Board, the senior management and the major shareholders of the Company, which could impair their objectivity and independence of the Internal Audit function.</p> <p>SBAC also does not have any direct operational responsibility or authority over any of the activities audited.</p> <p>SBAC is a Corporate member of The Institute of Internal Auditors Malaysia. SBAC uses the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control systems.</p> |  |
| <b>Explanation for departure</b>   | : |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

## Intended Outcome

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

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

### Practice 11.1

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

|   |   |  |
|---|---|--|
| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p><u>Corporate Disclosure Policy</u></p> <p>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.</p> <p><u>Leverage on Information Technology</u></p> <p>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 and via its website at <a href="http://www.ancom.com.my">www.ancom.com.my</a>.</p> <p><u>Effective Communication and Proactive Engagement with Stakeholders</u></p> <p>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 <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a> as well as on the Company's website at <a href="http://www.ancom.com.my">www.ancom.com.my</a>.</p> <p>Shareholders and investors are encouraged to submit their queries and concerns to the Company via the Company's website at <a href="http://www.ancom.com.my">www.ancom.com.my</a> or e-mail at <a href="mailto:cosec@ancom.com.my">cosec@ancom.com.my</a>. The queries will be attended to by the Company's Secretaries, the Board or the Senior Management, as the case may be.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |

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

## Intended Outcome

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

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

## Practice 11.2

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

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|--|---|---|--|
| <b>Application</b>   | : | Not adopted.  |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | Not applicable as Ancom Berhad is not a large company |  |
|  | : |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

## Intended Outcome

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

### Practice 12.1

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | <p>The Notice of the 49<sup>th</sup> Annual General Meeting was circulated at least twenty-one (21) days prior to the date of the general meeting. The Board is of the opinion that the notice period is adequate for the shareholders to go through the Annual Report and the Circulars/Statements supporting the resolutions proposed. This notice period of twenty-one (21) days is in line with Section 316(2) of the Companies Act 2016 and paragraph 7.15 of the Listing Requirements.</p> <p>The Notice of AGM is also posted on the Company's website at <a href="http://www.ancom.com.my">www.ancom.com.my</a> on the same day as the Notice is despatched to the shareholders. It is also being advertised in a major nationally circulated newspapers alongside an announcement on the Bursa Malaysia Berhad's website.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

## Intended Outcome

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

### Practice 12.2

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | At the general meeting, the Board and top management shall attend. The GMD/GCEO, Chair of Committees, Executive Directors and management as well as the external auditors and professional advisers, where applicable, are available to answer queries from the shareholders. Shareholders are encouraged to raise questions before matters on the agenda are put to a vote. |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

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

**Practice 12.3**

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

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

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Company does not have large number of shareholders in remote locations.</p> <p>To encourage shareholders to attend and participate in the Company’s general meetings either in person, by corporate representative, by proxy or by attorney, the Company would hold its meetings at venues that are easily accessible by the shareholders or their proxy and at a time convenient to the shareholders or their proxy.</p> |  |
| <b>Explanation for departure</b>   | : |  |  |
|  |   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**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.*

|                 |
|-----------------|
| Not applicable. |
|-----------------|