

CORPORATE GOVERNANCE REPORT

STOCK CODE : 9091

CORPORATE NAME : EMICO HOLDINGS BERHAD

FINANCIAL YEAR : 31 MARCH 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIA CODE ON CORPORATE GOVERNANCE

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

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

Intended Outcome 1.0

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

Practice 1.1

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

| Application | : Applied |
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| Explanation on application of the practice | <p data-bbox="552 734 1415 887">The Board of Directors ("Board") of Emico Holdings Berhad ("Emico" or "the Company") acknowledges the importance of maintaining good corporate governance that is necessary for effective operation of the Group.</p> <p data-bbox="552 916 1415 952">The main roles and responsibilities of the Board are as follows:</p> <ol data-bbox="552 981 1415 1319" style="list-style-type: none"> 1. Reviewing and approving material investment, acquisitions and disposals of property, plant and equipment. 2. Reviewing and approving related party transactions. 3. Reviewing the adequacy of the Group's internal control policies. 4. Monitoring compliance with relevant laws & regulations and accounting standards within the corporate and business environment. 5. Reviewing and approving annual financial statements and quarterly financial results. <p data-bbox="552 1348 1415 1500">The Board has also delegated certain areas of responsibilities to the Board Committees. Each Committee has the authority to perform their respective duties according to their terms of reference and makes recommendations to the Board.</p> <p data-bbox="552 1529 1415 1682">On the other hand, the executive directors are responsible for the overall management of the operation and strategic direction of the Group. The executive directors will report to the Board on significant matters relating to the Group as and when required.</p> <p data-bbox="552 1711 1415 1825">The Board is guided by the Board Charter in discharging its duties and responsibilities. The Board Charter is available on the Company's website (www.emico.com.my).</p> |
| Explanation for departure | : |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : |

Intended Outcome 1.0

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

Practice 1.2

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

| Application | : | Applied |
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| Explanation on application of the practice | : | <p>The Chairman's main role is to ensure effective conduct of the Board through the execution of the following:</p> <ul style="list-style-type: none"> i. To ensures Board effectiveness, implementation of Board's policies and decisions, corporate affairs and overall financial performance of the Group; ii. To ensures the Management provides accurate, timely and clear information to members of the Board. iii. To develops and determines the Group's strategy and overall business and commercial objectives; iv. To ensures orderly conduct and proceedings of meetings of the Company v. To facilitates effective communications between the shareholders and the Directors and ensures shareholders have adequate opportunity to air their views and obtain answers to their queries. <p>The responsibilities of the Chairman are set out in the Board Charter which is available on the Company's website at www.emico.com.my.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 1.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The positions and roles and responsibilities of Chairman and MD or CEO are held by two (2) different individuals.</p> <p>The Chairman of the Board namely, Mr. Lim Teik Hian is an Executive Chairman and the Managing Director of the Company is Mr. Lim Teck Chye, who is also an Executive Director.</p> <p>The roles and responsibilities of the Executive Chairman are disclosed in Practice 1.2.</p> <p>The Managing Director with the assistance of Executive Director is responsible for implementation of the objectives, goals and operational matters of the Group. Although the Executive Chairman, Mr. Lim Teik Hian is not an Independent Director, the Board believes that with 4 Independent Non-Executive Directors on the Board, there is a balance of power and authority in the Board.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 1.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company Secretaries of Emico are members of professional bodies and qualified to act as company secretaries.</p> <p>The Company Secretaries are responsible for proper maintenance of secretarial records, preparation of resolutions and other secretarial functions of the Company. The Company Secretaries attend all Board, Board Committees and General meetings of the Company and records the minutes of the meetings.</p> <p>In addition, the Company Secretaries regularly update the Board on the changes of the listing requirements upon receiving the circulars from Bursa Securities, which are relevant to the Company.</p> <p>All directors have access to the advice and services of the Company Secretaries in carrying out their duties and to ensure all rules, requirements and regulations are complied with.</p> <p>During the financial year, the Company Secretaries had attended various seminars and conferences to keep themselves abreast with the regulatory changes and other areas of sustainability, governance, finance and accounting.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 1.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | <p>During the financial year ended 31 March 2020, the Board held meetings on 24 May 2019, 27 June 2019, 16 August 2019, 28 November 2019 and 28 February 2020 respectively, making a total of 5 meetings.</p> <p>All Board and Board Committees' meetings follow an agenda which, together with a set of Board papers containing information for each item on the agenda, is distributed at least 7 days prior to each meeting to ensure the Directors have sufficient time to evaluate the matters and be prepared for discussion at the meeting. However, sensitive matters may be tabled at the meeting itself. Members of senior management who may provide additional insights into the matters at hand will be present at the relevant time during the meeting.</p> <p>The Directors have direct access to the Management and unrestricted access to any information relating to the Company and its Group in discharging their duties.</p> <p>The deliberations and decisions of the Board and Board Committees are properly documented in the minutes including matters where directors abstained from voting or deliberation. The minutes of proceedings had been circulated in a timely manner.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 2.0

There is demarcation of responsibilities between the board, board committees and management. There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

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

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

| Application | : | Applied |
|--|---|--|
| Explanation on application of the practice | : | <p>The Board's roles and responsibilities are documented in the Board Charter which reflects the corporate governance structure and practices of the Emico Group. The Charter also outlines, amongst others, the role of the MD, the role of the Company Secretary, Board processes, Board functions and Board development.</p> <p>The Board reviews the Board Charter annually to ensure its relevance. The Board Charter of Emico was reviewed and approved by the Board on 26 June 2020, in order to ensure the Board's function are governed and aligned with the current laws and practices to be consistent with the Board's objective. The revised Board Charter is available on Emico's website at www.emico.com.my.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 3.0

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 behavior and practice in the company.

Practice 3.1

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

| Application | : Applied |
|--|---|
| Explanation on application of the practice | : In addition to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia, the Group also has a Code of Ethics and Conduct that sets out sound principles and standards of good practice in the industry, which are observed by the Directors and the employees. Both Directors and employees are required to uphold the highest integrity in discharging their duties and in dealings with stakeholders, customers, fellow employees and regulators. This is in line with the Group's Core Values which emphasise behavioural ethics when dealing with third parties and fellow employees. The Code of Conducts and Ethics for the company was last reviewed by the Board on 26 June 2020. A copy of the Code is available on Emico's website at www.emico.com.my . |
| Explanation for departure | : |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : |
| Timeframe | : |

Intended Outcome 3.0

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 behavior 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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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Emico Group advocates openness and transparency in its commitment to the highest standard of integrity and accountability. The Integrity Hotline which had been implemented, provides an avenue for all the employees to report, in good faith, belief, without malicious intent, on any suspected misconduct or actual wrongdoing including but not limited to unethical incidences such as criminal activities or contravention of laws/regulations committed by another employee or any person who has dealings with the Group via the following channels:</p> <p>Protected Email Address at integrity@emico.com.my</p> <p>The above email will be directly channelled to the Chairman of Audit Committee.</p> <p>Confidentiality of all matters raised and the identity of the whistleblower, are protected under the Policy. Emico Group has a Whistle Blowing Policy, which provides broad principles, strategies, and policies for the Group in relation to whistle blowing in order to promote high standards of integrity. The policy establishes robust and comprehensive programmes and controls for the Group and highlights the roles and responsibilities at every level in responding to Whistle Blowing act.</p> <p>The Whistle Blowing Policy was last reviewed by the Board on 26 June 2020.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 4.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | There are currently 7 Directors on the Emico Board. Four are Independent Directors and three are Executive Directors (which consist of one Executive Chairman, one Managing Director and one Executive Director). As at 31 March 2020, the Board complied with the requirement as stipulated in the Listing Requirements as more than half of its members are Independent Directors. The Directors provide a wealth of knowledge, experience and skills in key areas such as accountancy, international business operations and development, finance and risk management. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 4.0

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

Practice 4.2

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

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

| Application | : Applied |
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| Explanation on application of the practice | <p data-bbox="549 672 1407 806">The Nominating Committee has carried out annual assessments on the independency of Mr. Wong Sew Yun, Mr. Ng Chee Kong and Mr. Wong Thai Sun who had served 24 years, 20 years and 11 years respectively as independent directors of the Company.</p> <p data-bbox="549 840 1407 1075">During the financial year ended 31 March 2020, the Nominating Committee, upon its assessment carried out, is satisfied that Mr. Wong Sew Yun, Mr. Ng Chee Kong and Mr. Wong Thai Sun had satisfactorily demonstrated that they are independent from the management and free from any business dealings with the Group that could be perceived to interfere in their exercised of independent judgement.</p> <p data-bbox="549 1108 1407 1377">Mr. Wong Sew Yun, Mr. Ng Chee Kong and Mr. Wong Thai Sun will be seeking shareholders' approval on their re-appointments as independent directors at the forthcoming 28th Annual General Meeting of the Company to be held on 21st September 2020. In view of the tenures of Mr. Wong Sew Yun and Mr. Ng Chee Kong as independent directors are above 12 years, the Board would seek shareholders' approval through a two-tier voting process at the forthcoming 28th Annual General Meeting of the Company.</p> |
| Explanation for departure | : |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : |
| Timeframe | : |

Intended Outcome 4.0

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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| Application | : | Not applicable | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome 4.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Nominating Committee (“NC”) is responsible for making recommendations for the appointment of Directors to the Board including the election/re-election of retiring Directors at the Annual General Meeting (“AGM”).</p> <p>The NC will nominate/accept the following retiring directors for re-election/retirement at the forthcoming AGM.</p> <ul style="list-style-type: none"> i) To re-elect Mr. Lim Teik Hian, a Director who retires by rotation in accordance with Article 103 of the Company’s Constitution and who, being eligible, offers himself for re-election. ii) To re-elect Mr. Wong Sew Yun, a Director who retires by rotation in accordance with Article 103 of the Company’s Constitution and who, being eligible, offers himself for re-election. <p>In making these recommendations, the NC considers the required mix of skills, experience, knowledge, competencies and other necessary qualities including gender diversity to the Board. While the Board supports the philosophy of gender diversity and recognizes the benefits that it can bring, the Board believes that any new appointments should be based on merits and capability.</p> <p>The appointment of the Company’s Senior Management is also based on objective criteria and merit.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 4.0

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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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | The Nominating Committee, upon its assessment is satisfied with the current boardroom composition given the size and operation of the Group and was of the view that a gender policy is not required at this juncture. Nevertheless, the Board through its Nominating Committee will consider women candidates whenever the need arises. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 4.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | The Nominating Committee identifies and searches for candidates through various contacts and recommendations from independent sources including proposal from board members and major shareholders. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 4.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | The Nominating Committee is chaired by Mr. Ng Chee Kong, an Independent Non-Executive Director. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 5.0

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

Practice 5.1

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

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

| Application | : | Applied |
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| Explanation on application of the practice | : | <p>In FY 2020, the Nominating Committee had carried out its duties to perform the annual assessment of the Board, Board Committees and each individual director.</p> <p>The assessment of the Board and Board Committees are carried out by way of questionnaires in regard to mix of skills, knowledge, competency, proceeding of meetings, experiences, timely reporting and so forth. Whilst the assessments of individual directors are carried out by way of self-assessment questionnaires sent to the director's concerned. The self-assessment questionnaires cover amongst others the character, integrity, contributions in meetings, quality of input, time commitment, understanding of role and so forth.</p> <p>The responses to the questionnaires are then sent to the Company Secretaries for compilation. The Nominating Committee then deliberate based on their ratings and makes its recommendations to the Board. The director's concern shall abstain from deliberating on his own assessment.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 6.0

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

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

Practice 6.1

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

| Application | : Applied |
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| Explanation on application of the practice | <p data-bbox="547 672 1415 875">The remuneration package of the executive Board members is structured to ensure that compensation and benefits commensurate with the level of skills and experience and performance of individual executive Board members in addition to performance based targets such as revenue growth and profitability.</p> <p data-bbox="547 909 1415 1113">The components of the remuneration package for the Executive Directors include fixed salary, fixed fees, allowance, bonus, performance incentive and benefits-in-kind. The Executive Directors played no part in deciding their own remuneration and the respective Board members shall abstain from all discussion pertaining to their remuneration.</p> <p data-bbox="547 1146 1415 1350">As for Independent Non-Executive Directors, the level of remuneration is reflective of their experience, expertise, knowledge, level of responsibilities and the onerous challenges in discharging their fiduciary duties. The determination of Directors' fees for all Directors shall be a matter for the Board as a whole.</p> <p data-bbox="547 1384 1415 1453">The Independent Non Executive Directors ("INED") receive fixed fees.</p> <p data-bbox="547 1487 1415 1713">The remuneration of the ED & INEDs of Emico was tabled to the Board at its meeting held on 28 February 2020 and further information on the above remuneration structure is set out in the Corporate Governance Overview Statement ("CG Overview Statement") Page 33 of the Company's Annual Report 2020, which will be tabled for shareholders at the forthcoming 28th Annual General Meeting on 21st September 2020.</p> |
| Explanation for departure | : |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : |
| Timeframe | : |

Intended Outcome 6.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Remuneration Committee (RC)</p> <p>The terms of reference for RC are as follows:</p> <p><u>Appointment/Composition</u></p> <ul style="list-style-type: none"> • The RC shall be appointed by the Board of Directors. • The RC shall consist of not less than two (2) members. • The majority of RC shall be Independent Non-Executive Directors. <p>The members of RC are as follows:</p> <ul style="list-style-type: none"> (i) Mr. Ng Chee Kong Chairman Independent Non-Executive Director (ii) Mr. Wong Thai Sun Member Independent Non-Executive Director (iii) Mr. Ng Hong Kiat @ Ng Han Kiat Member Independent Non-Executive Director <p>The duties and responsibilities of RC consist of the following:</p> <ul style="list-style-type: none"> • To establish and recommend to the Board, the remuneration package for Executive Directors such as the terms of employment or contract of employment/service, benefit, pension, incentive scheme, bonuses, fees, expenses, • compensation payable on termination of service of contract by the Company and/or the Group etc. • To review and recommend to the Board the remuneration packages of Non-Executive Directors for shareholders approval at the Annual General Meeting. • To consider other remunerations or rewards to retain and attract directors. <p>These terms of reference for RC are disclosed in the Board Charter of www.emico.com.my.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |

Intended Outcome 7.0

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | Please refer to Page 33 of the Emico Annual Report 2020. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 7.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | Please refer to Page 33 of the Emico Annual Report 2020. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 7.0

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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| Application | : | Not Applicable | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome 8.0

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Chairman of Audit Committee is Mr. Wong Thai Sun, an Independent Non-Executive Director and he is not the Chairman of the Board. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 8.0

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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| Application | : | Applied |
| Explanation on application of the practice | : | The Term of Reference of Audit Committee includes 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. Currently, there is no appointment of former key audit partner as an Audit Committee. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 8.0

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.

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|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit and Risk Management Committee ("ARMC") and the Board place great emphasis on the objectivity and independence of the External Auditors, namely Messrs. BDO PLT, in providing relevant and transparent reports to the shareholders.</p> <p>The ARMC is responsible to appraise and assess the performance and independence of the external auditors by way of questionnaires which cover amongst others the quality of work, competency, manpower resources, size of the firm, industry knowledge, and experience of the team assigned to the audit of the Group, objectivity of the external auditors and so forth.</p> <p>The existing auditors, Messrs. BDO PLT had confirmed to the ARMC that they are, and have been independent throughout the conduct of their audit engagement for FY 2020 in accordance with the terms of all relevant professional and regulatory requirements and the Board are satisfied that the external Auditor, Messrs BDO PLT are independent in performing their duties.</p> <p>A full report of the Audit Committee outlining its role in relation to the internal and external auditors is set out in the ARMC Report on pages 27 & 28 of the Annual Report 2020.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 8.0

There is an effective and independent Audit Committee.

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

Practice 8.4 – Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | All members of Audit Committee comprises solely of Independent Non-Executive Directors. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 8.0

There is an effective and independent Audit Committee.

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

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties.

All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

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

| Application | : | Applied |
|--|----------|--|
| Explanation on application of the practice | : | <p>Based on the diverse background and experience, the members of the ARMC of Emico possesses wide range of necessary skills and financially literate.</p> <p>Both, Mr Wong Thai Sun and Mr Ng Hong Kiat @ Ng Han Kiat are members of the Malaysian Institute of Accountants. Therefore, the requirement of Paragraph 15.09(1)(c) of the Main Market Listing Requirements ("MMLR") of Bursa Securities where at least one(1) member of the ARMC must be a qualified accountant has been complied with.</p> <p>In FY 2020, the Nominating Committee had assessed the term of office and performance of the ARMC and its members in accordance with Paragraph 15.20 of the MMLR of Bursa Securities by way of a set of comprehensive questionnaires.</p> <p>The questionnaires cover amongst others the understanding of role and terms of reference, financial literacy, integrity, independency, time commitment and so forth.</p> <p>The Nominating Committee was satisfied that the ARMC and its members had discharged their duties according to their terms of reference and had recommended to the Board that the existing composition to remain status quo.</p> <p>Members of the ARMC are to assess their own training needs and are expected to attend continuous training to keep themselves abreast of relevant developments in accounting standards, practices, laws and regulations.</p> <p>The trainings attended by the members of the ARMC can be obtained from the Annual Report 2020 under CG Overview Statement.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |

Intended Outcome 9.0

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

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

Practice 9.1

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

| Application | : | Applied |
|--|---|---|
| Explanation on application of the practice | : | <p>The Board recognises its responsibilities and the importance of sound risk management practices and internal control, and reviewing the adequacy and integrity of those systems. The Board has established a Risk Management Committee under Audit & Risk Management Committee ("ARMC") which set the policy and procedures to implement the recommendations from "Statement on Risk Management and Internal Control ("SORMIC"): Guidelines for Directors of Listed Issuers".</p> <p>These procedures, which are subject to regular review, are intended to provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. However, the Board recognised that such a system is a concerted and continuing process, designed to manage and reduce, rather than eliminate, the risks identified to acceptable levels. Therefore, the system of risk management and internal control implemented can only provide reasonable and not absolute assurance against the occurrence of any material misstatement or loss.</p> <p>Further detailed are disclosed in the Statement of Risk Management and Internal Control Statement ("SORMIC") on pages 36 & 37 of the Annual Report 2020.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 9.0

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

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

Practice 9.2

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has overall responsibility for establishing and maintaining a sound risk management and internal control system to ensure that shareholders' investments, customers' interests and the Group's assets are safeguarded. The effectiveness of risk management and internal controls is continuously reviewed to ensure that they are working adequately and effectively.</p> <p>The Audit and Risk Management Committee ("ARMC") regularly evaluates the adequacy and effectiveness of the Group's internal control systems by reviewing the actions taken on lapses/deficiencies identified in reports prepared by Group Internal Audit during its scheduled meetings. The ARMC also reviews Audit's recommendations and management responses to these recommendations to ensure the lapses/deficiencies identified are being dealt with adequately and promptly.</p> <p>The Statement on Risk Management and Internal Control ("SORMIC") is furnished on pages 36 to 37 of Annual Report 2020 and this provides an overview of the state of internal controls within the Group.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 9.0

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

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

Practice 9.3 – Step Up

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | The Risk Management Committee ("RMC") which is part of the Audit and Risk Management Committee ("ARMC") has been established to review the adequacy and effectiveness of risk management of the Group. Its main role is to review, on behalf of the Board, the system of risk management necessary to manage the significant risks faced by the Group and to present its findings to the Board. The RMC consists of 3 Independent Directors and is chaired by an Independent Director. The Managing Director and Executive Director are invited to provide input and identify risks within the Group. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 10.0

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

Practice 10.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The internal audit function of the Group is outsourced to an independent firm. The Internal Auditors reports directly to the Audit & Risk Management Committee (“ARMC”). The Internal Auditors will review the systems of internal control of the Group based on the audit plan approved by the ARMC. The Internal Auditors will then report their findings, recommendations for improvements and the management responses to the ARMC on a quarterly basis. The progress of the implementation of recommended actions is being monitored through follow up reviews by the Internal Auditors. The ARMC will report to the Board on the progress and findings of the internal audit function.</p> <p>The ARMC is also responsible to appraise and assess the performance of the internal audit function annually. The assessment is carried out by way of questionnaires and discussions with the Internal Auditors. The questionnaires cover amongst others the quality of work, competency, manpower resources and so forth.</p> <p>The ARMC had assessed the Company’s internal audit function for FY 2020 and was satisfied therewith.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 10.0

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

Practice 10.2

The board should disclose:-

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

| Application | : Applied |
|--|---|
| Explanation on application of the practice | <p>The Company had outsourced its internal audit function to Qwest Consulting Services Sdn Bhd to audit and monitor the compliance of the Group's policies, procedures and the effectiveness of the Group's internal control systems.</p> <p>The head of internal audit is a qualified practitioner. Mr. Lee Cheng Wooi graduated with a professional degree in accounting. He is a member of C.A (M), MICPA and IIAM.</p> <p>The internal auditors had declared to the Audit & Risk Management Committee the following:</p> <ol style="list-style-type: none"> 1) The Company's internal audit function were conducted in accordance with the standards sets by professional bodies; 2) They are not aware of any relationships or conflicts of interest which could impair their objectivity and independence; 3) The internal audit team has sufficient professional experience, technical skills and appropriate staff mix to effectively carry out the work required; and 4) The internal audit team had participated in various continuing professional development programmes on topics which are relevant to their work function. |
| Explanation for departure | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | |
| Timeframe | |

Intended Outcome 11.0

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

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

Practice 11.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board values its dialogue and engagement with both institutional shareholders and private investors and recognises the importance of providing timely and equal dissemination of relevant information to them.</p> <p>The AGM is the principal forum of dialogue with the shareholders and also an avenue for the Chairman and Board members to respond personally to all queries and provide sufficient clarification on issues and concerns raised by the shareholders. Shareholders are encouraged to attend, speak and vote at the Company's general meetings. In compliance with the requirement under Paragraph 8.29A(1) of the MMLR of Bursa Securities, voting at the AGM will be conducted by poll system.</p> <p>Other than the forum of the AGM, the other medium of communication between the Company and shareholders and/or investors are as follows:</p> <ul style="list-style-type: none"> • quarterly financial statements and circulation of annual reports; • Circular to Shareholders; • announcements on major corporate developments in accordance with the MMLR of Bursa Securities; • the Company's general meetings; • posting on the Company's website at www.emico.com.my. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 11.0

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

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

Practice 11.2

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

| | | | |
|--|---|-----------------------|--|
| Application | : | Not Applicable | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome 12.0

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

Practice 12.1

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

| Application | : | Applied |
|--|---|--|
| Explanation on application of the practice | : | <p>The Board had adopted Practice 12.1 to issue the notice of annual general meeting (AGM) to shareholders at least 28 days prior to the meeting. The additional time given will allow shareholders to make necessary arrangements to attend and participate in person or through proxies or corporate representatives and also to consider the proposed resolutions before exercising their voting rights at the meeting.</p> <p>The Notice of the 28th AGM of Emico was issued and dated on 21 August 2020 i.e. 28 days prior to the AGM date on 21st September 2020.</p> <p>In addition, the Notice of the 28th AGM provides the detailed explanations under the Explanatory Notes for both, Ordinary and Special Businesses for each resolutions to be passed at the forthcoming AGM in order for the shareholders to make informed decisions in exercising their voting rights.</p> <p>The Notice of the 28th AGM of the Company is available for viewing on the Company's Annual Report 2020 and Bursa Announcement.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 12.0

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

Practice 12.2

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

| Application | : | Applied |
|--|---|---|
| Explanation on application of the practice | : | All Directors, including the Chairpersons of the respective Board Committees had attended the last AGM of the Company held on 16 August 2019 and will attend the forthcoming AGM of the Company. In addition to the above, members of the senior management and external auditors of the Company had also attended the last AGM and will attend the forthcoming AGM and to respond to the shareholders' queries including the responses in respect to the questions raised by the MSWG prior to the AGM and/or during the AGM. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome 12.0

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:-

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

| | | |
|--|---|---|
| Application | : | Departure |
| Explanation for departure | : | <p>The Company holds its AGM in a central location which is accessible to all shareholders. Additionally, the number of foreign shareholders is of a percentage which does not warrant additional arrangements for participation in the AGM.</p> <p>For these shareholders, they have the channel through proxy voting to vote on resolutions on their behalf. This also applies to votes in absentia whereby the shareholders can appoint the Chairman as their proxies to attend and vote on their behalf at the forthcoming AGM by filling up the Proxy Form and send it to the Share Registrar of the Company within the stipulated time period.</p> <p>The Proxy Form of the 28th AGM of the Company can be obtained in the Emico's Annual Report 2020.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |