

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 1899  
**COMPANY NAME** : BATU KAWAN BERHAD  
**FINANCIAL YEAR** : September 30, 2020

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Batu Kawan Berhad ("BKB") is led by an experienced and effective Board who provides oversight, strategic direction and entrepreneurial leadership. The Directors collectively, have wide and varied technical, financial and commercial experience which facilitates effective, thorough and considered discharge of the Board's statutory and fiduciary duties and responsibilities.</p> <p>In order to ensure the effective discharge of its functions and responsibilities, the Board has put in place a governance structure where specific powers of the Board are delegated to the relevant Board Committees and sub-Committees. The Board Committees comprise Audit and Risk Committee ("ARC"), Nomination Committee ("NC") and Remuneration Committee ("RC") whilst the executive committees are Group Risk Management Committee ("GRMC") and Sustainability sub-Committee. To ensure accountability, the Board has an overall responsibility for the proper conduct of the Company's business and the Board Charter sets out the respective roles and responsibilities of the Board and Board Committees, and is available on the Company's website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</p> <p>The duties and responsibilities of the Board include, but not limited to the following:</p> <p><i>(1) Ensure strategic planning supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.</i></p> <p>The Board approves the strategic plan and ensures that the necessary resources are in place for the Group to meet its objectives and review Management's performance. The Board reviewed the capital budgets and regularly monitors the progress of their utilisation throughout the year, using appropriate financial indicators and industry benchmarks.</p>

Annually, two (2) off-site sessions are held for discussions on key strategies and proposed business plan for the new financial year and half-year review. At these meetings, Management presented their short-term and long-term business strategy plans which covered economic, environmental and social aspects. The areas covered at the meetings included the updates to the current investments of the Group, challenges and opportunities arising from these investments as well as the strategies moving forward. The finalised annual budget and half-yearly revised budget (if any), were subsequently presented to the Board for approval.

*(2) Promote good corporate governance culture within the Company based on the principles of transparency, objectivity and integrity.*

The Board has in place policies and procedures to promote good corporate governance such as Code of Conduct for Directors, Code of Conduct and Ethics for the Company, Group Whistleblowing Policy, Policy on Related Party Transaction and Corporate Disclosure Policy and Procedures. During the year, the Group Anti-Corruption Policy and its Standard Operating Procedures were formalised to set out the Group's stance on corruption and bribery, and impose an individual responsibility on the Group's employees to not engage in corruption or bribery, comply with anti-bribery and anti-corruption laws and to ensure that any third parties engaged to act on the Group's behalf, do the same.

In discharging its duties and responsibilities, the Board is governed by the governance structure which clearly delineates relevant matters and applicable limits, including those reserved for the Board's approval, and those which the Board may delegate to the Board Committees, BKB Managing Director and Management.

*(3) Review and conclude Management's proposals for the Company, delegate the management of the business to the BKB Managing Director and Management and monitor its implementation of the proposals.*

*(4) Ensure there is effective risk management, compliance and control systems (including legal compliance).*

The Board affirms its overall responsibility in maintaining a sound risk management and internal control system in BKB to safeguard the interests of shareholders, customers, employees and the Group's assets. Through the GRMC, the Board oversees the risk management framework of the Group. The GRMC advises the ARC and the Board on areas of high risk and the adequacy and effectiveness of the Group's risk management and internal control system which is embedded in all aspects of the Group's activities.

	<p>(5) <i>Ensure there are measures in place to provide for succession planning of Board and Senior Management for business continuity.</i></p> <p>The Board through the NC and RC has oversight of the succession planning of Board members and Senior Management positions across the Group. The NC is responsible for making recommendations for the appointment of Directors to the Board, including those of subsidiaries. In making these recommendations, the NC considers the criteria such as the required mix of skills, experience and knowledge, which the Directors bring to the Board.</p> <p>(6) <i>Ensure the integrity of the financial and non-financial reporting of the Company and its subsidiaries.</i></p> <p>(7) <i>Ensure corporate accountability by maintaining effective communication with shareholders and other stakeholders.</i></p> <p>The Board ensures high standards of transparency and accountability in the disclosure of information to its shareholders as well as to potential investors and the public. The Company uses various channels for effective communication with the shareholders and other stakeholders including releasing timely announcements and disclosures to Bursa Malaysia Securities Berhad, conduct of general meetings and update information available at the Company's website at <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</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

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of Batu Kawan Berhad, who was appointed by the Board, is responsible for ensuring Board effectiveness and smooth functioning of the Board in the interest of good corporate governance. His role and responsibilities are provided in the Company's Board Charter, which is available on the Company's website at <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</p> <p>The role and responsibilities of the Chairman include:</p> <ol style="list-style-type: none"><li>(1) Controls board proceedings, either from an agenda perspective or from a time perspective, and does not allow for factions to develop or allow himself to join a faction.</li><li>(2) Provides effective leadership for the Board so that the Board can perform its responsibilities effectively.</li><li>(3) Participates in the channels of communication between his fellow Directors and the Management team.</li><li>(4) Sets the Board agenda together with the Company's Managing Director and ensures that his fellow Directors receive complete and accurate information in a timely manner.</li><li>(5) Leads Board meetings and discussions to ensure efficient conduct of the Board meetings.</li><li>(6) Encourages active participation and allows dissenting views to be freely expressed to ensure core issues of the Group are addressed.</li><li>(7) Promotes consultative and respectful relations between the Board members and between the Board and Management.</li><li>(8) Chairs shareholders' meetings and ensures appropriate steps are taken to provide effective communication with stakeholders to ensure their views are communicated to the Board as a whole.</li></ol>
<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>	:		
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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 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The positions of Chairman and Managing Director ("MD") are held by different individuals. The division in the roles of the Chairman and MD is clearly defined (as set out in the Board Charter which is available on the Company's website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>), so as to promote accountability and facilitate division of responsibilities between them as a check and balance mechanism.</p> <p>The Chairman is responsible for ensuring Board effectiveness and conduct with the focus on strategy, governance and compliance, whilst the MD has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.4

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretaries of Batu Kawan Berhad are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016. Two (2) of the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators whilst the other is a member of the Malaysian Institute of Accountants.</p> <p>The primary responsibilities of the Company Secretaries include the following:</p> <ol style="list-style-type: none"><li>(1) Advising the Board on its roles and responsibilities.</li><li>(2) Monitoring corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.</li><li>(3) Ensuring adherence to the Board's and Board Committees' policies and procedures.</li><li>(4) Managing Board and Board Committees meeting logistics, attend and record minutes of meetings as well as facilitate board communications.</li><li>(5) Facilitate training needs of the Board members by organising development programmes in-house.</li><li>(6) Providing updates and assisting the Board with interpreting regulatory requirements.</li></ol> <p>The Company Secretaries constantly undertake continuous professional development to keep abreast of relevant corporate governance and regulatory requirements.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The annual meeting calendar is prepared and circulated in advance of each new year in order to facilitate the Directors' time planning. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees, and the Annual General Meeting of the Company.</p> <p>All Directors are provided with sufficient information and time to prepare for Board meetings. All Directors are provided with an agenda and a set of Board papers to Board meetings at least seven (7) days prior to the meetings. The Company encourages a paperless environment. Directors are granted digital access to meeting materials of all Board, Board Committees and shareholders' meetings for a more efficient, secure and timely manner.</p> <p>The Company Secretaries are responsible to ensure that all proceedings of meetings are properly minuted and filed in the statutory records of the Company, which is accessible by the Directors at all times. All decisions/rationale will be recorded in these minutes. These minutes of meetings would also be circulated to all Directors on a timely manner.</p> <p>Every Director has the opportunity to review and make corrections to the minutes. Board decisions or action items are also communicated to the relevant members of Management for their follow-up.</p> <p>Key decisions are always made at Board meetings, with Directors' Circular Resolutions confined to formalising matters that have already been discussed at Board meetings. Such Directors' Circular Resolutions are also accompanied by Board papers to keep the Directors informed of the matter concerned. All Directors' Circular Resolutions are then tabled for noting and confirmation at the next Board meeting.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter serves as an authoritative policy document that sets out the Board's strategic intent, authority and terms of reference. It sets out the roles, functions, obligations, rights, responsibilities and powers of the Board, as well as the policies and practices of the Board in respect of its duties, functions and responsibilities. The Board Charter clearly explains the relationship and interaction between the Board, Board Committees, individual Directors and Managing Director.</p> <p>The Board Charter is reviewed periodically, and the last review was carried out in August 2020 to incorporate the latest corporate governance best practices and amendments to relevant legal requirements, as well as changes in the Group's internal governance practises. The changes include addressing the implications of the new Section 17A into the Malaysian Anti-Corruption Commission Act 2009, amendments to the Bursa Malaysia's Main Market Listing Requirements of and Malaysian Code on Corporate Governance relating to anti-corruption measures, facilitation of communication via electronic meetings, and the new "Guidelines on Conduct of Directors of Listed Issuers and their Subsidiaries" issued by Securities Commission on 30 July 2020.</p> <p>The Board Charter is available on Batu Kawan Berhad's website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to engage in continuous efforts to identify best practices which support the Company in building a culture of good corporate governance. The Board has established, implemented and promulgated a Code of Conduct and Ethics of the Company to demonstrate the Company's commitment in upholding appropriate standards of ethical conduct and behaviour at all levels of the Company's businesses. This Code of Conduct and Ethics of the Company, together with other related policies, procedures and guidelines, sets out fundamental set of rules to define how the Company is to conduct its business and set out standards which the Batu Kawan Berhad ("BKB") Group and its employees or officers are required to comply with when dealing with each other, shareholders, other stakeholders, and the broader community.</p> <p>This Code of Conduct and Ethics of the Company covers, amongst others, the following principles and standards:</p> <ul style="list-style-type: none"><li>• avoidance of conflicts of interest;</li><li>• compliance of anti-bribery and corruption;</li><li>• prohibition of insider trading;</li><li>• prevention of money laundering and terrorism financing;</li><li>• restriction on unfair business practices;</li><li>• protection of its intellectual property and prohibition of use of intellectual property rights of others;</li><li>• commitment to corporate responsibility;</li><li>• provision of equal opportunity and workplace diversity;</li><li>• prohibition on the use of forced or bonded labour, human trafficking and child labor;</li><li>• promotion of safe workplaces and prevention on workplace accidents and injuries.</li></ul>

	<p>The Board has also formalised a Code of Conduct for the Directors which governs the underlying core ethical values and commitment to high standards of integrity, transparency, accountability and corporate social responsibility as well as to promote good business conduct and to maintain a healthy corporate culture that engenders integrity, transparency and fairness in BKB. This code provides commitment to ethical values through the key requirements relating to conflict of interest, public representation, insider trading, confidentiality of information and compliance with law and regulations. This Code of Conduct for Directors was recently reviewed in August 2020 mainly to reflect the commitment of Directors in fostering an anti-corruption culture and, to ensure that the Directors exercise proper care and judgement, taking into account pertinent circumstances and business context, applicable laws, cultural norms in all business dealings and relationships.</p> <p>These codes are made available on the Company's website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</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**

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established a Group Whistleblowing Policy where whistleblowers can raise concerns in confidence, and to ensure proportionate and independent investigation is duly conducted and follow-up action is taken. The whistleblowing channel has been created to help stakeholders raise their concern, without fear of retaliation and provide protection from reprisals and victimisation in respect of whistleblowing done in good faith. Stakeholders can also raise or report concerns about any issue or suspicion of unethical conduct and corporate misdemeanours of corrupt practices and bribery. All these concerns can be addressed to the immediate superior or the Company's Managing Director, or to the Audit and Risk Committee Chairman for concerns which cannot be resolved through normal channels of the immediate superior or the Company's Managing Director.</p> <p>The Group views seriously any wrongdoing on the part of any of its stakeholders. Stakeholders include employees, business partners, customers, contractors, suppliers, trading and joint-venture partners, shareholders and members of the public, where relevant. Hence, whistleblowing is viewed positively by the Group as a means to ensure that the standards by which the Group subscribes to are upheld and maintained at a high standard.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Batu Kawan Berhad currently has six (6) members, comprising five (5) Non-Executive Directors (including the Chairman) and one (1) Executive Director, with four (4) Directors being Independent Directors. The composition of the Board meets the Main Market Listing Requirements of Bursa Malaysia Securities Berhad of at least one-third (1/3) of the board being independent and this Practice, with the Board comprising of a majority of independent Directors for Large Companies.</p> <p>The balance between Independent Non-Executive, Non-Executive and Executive Directors, together with the support from Management, is imperative to prevent deliberations and decision-making from being dominated by a select group of individuals.</p> <p>The composition and size of the Board is reviewed, through the Nomination Committee, annually to ensure its appropriateness and effectiveness.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.2

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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Dato' Yeoh Eng Khoon and Mr Quah Chek Tin have served on the Board as Independent Directors, exceeding a cumulative term of nine (9) years.</p> <p>The Board has noted the requirement of this Practice 4.2 in relation to the tenure of an Independent Director which shall not exceed a cumulative term of nine (9) years and the need for annual shareholders' approval through a two-tier voting process to retain long-serving Independent Director who has served for more than twelve (12) years.</p> <p>The Nomination Committee ("NC") and the Board have determined that Dato' Yeoh and Mr Quah remained unbiased, objective and independent in expressing their opinions and in participating in decision-making of the Board. The length of their service on the Board has not in any way interfered with their objective and independent judgment in carrying out their role as members of the Board and Board Committees. Furthermore, their pertinent expertise, skills and detailed knowledge of the Batu Kawan Berhad ("BKB") Group's businesses and operations enable them to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions.</p> <p>The NC have carried out an annual assessment of the independence of Dato' Yeoh Eng Khoon and Mr Quah Chek Tin based on the criteria as set out in the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad. As the NC and the Board concluded that they remained unbiased, objective and independent in expressing their opinions and in participating in decision-making of the Board, upon the recommendation of the NC, the Board approved the continuation of Dato' Yeoh Eng Khoon and Mr Quah Chek Tin as Independent Directors of the Company based on the following justifications:</p>



	<p>(1) they fulfil the criteria of independent directors pursuant to the Main LR;</p> <p>(2) they have wide experience relating to the BKB Group's business operations;</p> <p>(3) they devoted sufficient time and attention to their responsibilities as Independent Directors of the Company; and</p> <p>(4) they have exercised due care during their tenure as Independent Directors of the Company and carried out their duties in the best interest of the Company.</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>The NC and the Board will continue to carry out annual independence assessment of the qualification of Directors who have served on the Board for a cumulative term of more than nine (9) years in order to identify, evaluate and determine whether any Independent Director can continue acting in the best interest of the Company and bringing independent and professional judgement to Board's deliberations.</p> <p>In assessing whether the Independent Director continues to be "independent in mind", the NC and the Board will consider if the Independent Director displays some of the following key characteristics:</p> <ul style="list-style-type: none"> <li>• possesses sufficient self-esteem and confidence to stand-up for an independent point of view;</li> <li>• approaches any transaction that requires board's approval with a watchful eye and an inquiring mind;</li> <li>• is unafraid to express an unpopular stance on issues or express disagreement on matters, and actively pursues them with the rest of the Board and with the management team; and</li> <li>• does not shy away from asking hard and uncomfortable questions during board deliberations and willing to delve deeper if the responses provided are not satisfactory.</li> </ul>		
<p><b>Timeframe</b> :</p>	<table border="1" style="width: 100%;"> <tr> <td data-bbox="528 1469 948 1641">Others</td> <td data-bbox="948 1469 1402 1641">The Company intends to maintain the current practice of evaluating the effectiveness and independence of long-serving Independent Directors.</td> </tr> </table>	Others	The Company intends to maintain the current practice of evaluating the effectiveness and independence of long-serving Independent Directors.
Others	The Company intends to maintain the current practice of evaluating the effectiveness and independence of long-serving Independent Directors.		

**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.

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

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied																																							
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee (“NC”) and Remuneration Committee of Batu Kawan Berhad (“BKB”) assess the suitability of Directors and Senior Management based on their professional qualifications and proven track record of integrity, ability and reliability in the corporate services and business sectors and makes recommendations to the Board.</p> <p>The process for the appointment of the Directors to the Board is as follows:</p> <ul style="list-style-type: none"><li>a) the NC reviews the annual Board assessment and evaluations;</li><li>b) the NC sources for the candidate;</li><li>d) the NC evaluates suitability of the candidate;</li><li>e) the NC conducts engagement session with the candidate;</li><li>f) upon deliberation by NC, recommends to the Board for appointment; and</li><li>g) the Board approves the appointment of the candidate.</li></ul> <p>The NC also provides an orientation and education programme for new recruits to the Board as an integral element of the process of appointing new Directors.</p> <p>The current diversity in the race/ethnicity, age and gender of the current Board and Key Senior Management (“KSM”) are as follows:</p> <table border="1"><thead><tr><th rowspan="2"></th><th colspan="3">Race/Ethnicity</th><th colspan="2">Gender</th><th colspan="4">Age Group</th></tr><tr><th>Malay</th><th>Chinese</th><th>Indian</th><th>Male</th><th>Female</th><th>40 to 49</th><th>50 to 59</th><th>60 to 69</th><th>70 to 89</th></tr></thead><tbody><tr><td>Number of Directors</td><td>2</td><td>4</td><td>0</td><td>5</td><td>1</td><td>0</td><td>1</td><td>4</td><td>1</td></tr><tr><td>Number of KSM</td><td>0</td><td>6</td><td>1</td><td>7</td><td>0</td><td>2</td><td>0</td><td>5</td><td>0</td></tr></tbody></table> <p>The NC and Board, upon its annual assessment, confirmed that the diversity of the existing Board’s composition has the requisite competencies and capacity to effectively oversee the overall businesses and handle all matters pertaining to the Group.</p>		Race/Ethnicity			Gender		Age Group				Malay	Chinese	Indian	Male	Female	40 to 49	50 to 59	60 to 69	70 to 89	Number of Directors	2	4	0	5	1	0	1	4	1	Number of KSM	0	6	1	7	0	2	0	5	0
	Race/Ethnicity			Gender		Age Group																																			
	Malay	Chinese	Indian	Male	Female	40 to 49	50 to 59	60 to 69	70 to 89																																
Number of Directors	2	4	0	5	1	0	1	4	1																																
Number of KSM	0	6	1	7	0	2	0	5	0																																

	Senior Management positions are filled based on merit. The appointment of key senior management was also made with due regard for diversity in skills, experience, age and cultural background.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

**Practice 4.5**

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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board of Batu Kawan Berhad comprises six (6) Directors, of whom one is a female director.</p> <p>The Board acknowledges the importance of boardroom diversity and will commit to diversity at the leadership and employee levels. In tandem with the heightened emphasis on the dimension of gender, the Board ensures there is clear commitment to develop a corporate culture that also embraces the aspect of gender diversity. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender.</p>
		Notwithstanding the appointment of Dr. Tunku Alina, the Board continues to source for suitably qualified female candidates for appointment to the Board via various means or search firms (including independent firms), in order to achieve 30% female directors on the Board.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will continue to actively source for suitable female candidates and will consider the appointment of additional female Directors as and when there are right candidates available.
<b>Timeframe</b>	:	Others
		Within two (2) years

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee (“NC”) practices a clear and transparent nomination process which includes the identification of candidates, evaluation of suitability of candidates, meeting up with candidates, deliberation by NC and recommendation to the Board. The nomination process also involves a formal procedure for sourcing and appointing new directors to the Board, taking into account factors such as skills, experience, personal attributes and diversity required of Directors, both collectively and individually.</p> <p>The NC and Board will continue to source for suitably qualified candidates via various means such as independent or search agencies.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The appointment of Chairman of the Nomination Committee (“NC”) is set out in its Terms of Reference. The current Chairman of the NC is the Senior Independent Non-Executive Director (“SINED”), Dato’ Yeoh Eng Khoon who is appointed by the Board.</p> <p>The specific roles and responsibilities of the SINED are as set out in the Board Charter, which is available on the Company’s website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 5.1**

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

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Nomination Committee (“NC”) is responsible to assess the contribution of each individual Director and overall effectiveness of the Board on an on-going basis. The NC continually reviews and evaluates its requirements for an appropriate mix of skills and experience to ensure the Board’s composition remains relevant and optimal.</p> <p>During the year under review, the NC carried out a formal Annual Evaluation of the performance of the Board, its Board Committees and each individual Director through a series of open-ended questions and numerically scored multiple-choice questions [which is divided into two (2) parts – Part 1: Director Self-Assessment and Part 2: Board of Directors and Board Committees Evaluation]. The Board evaluation process comprised of both assessment and review, including analysis of how the Board and its Board Committees are functioning, the time spent by the Board considering matters, whether the terms of reference of the Board Committees have been met, and compliance with provisions of law. The NC Chairman analysed the responses received from all the Directors based on a score rating. The NC Chairman then summarised the results and tabled to NC for review and for NC to identify areas for improvement. The NC’s findings were subsequently presented to the Board for review and discussion. An agreed action plan for improvement was developed.</p> <p>In order to encourage open and frank assessment, the evaluation process was managed by the Company Secretaries, who collated the duly completed forms from each individual Director and referred the same to the Chairman of NC on a no-name basis.</p> <p>Based on the findings from the Board evaluation, the Board and Board Committees, as well as the individual Directors have discharged their roles and responsibilities in accordance with their respective charters and terms of reference. There were no major concerns from the results of the Board evaluation.</p>



	<p>The NC has also assessed Directors' effectiveness and training needs by reviewing the results of the Board evaluation and the Directors' commitment to training during the financial year. The NC noted that the members of the Board, had attended various programmes to keep abreast with general economic, industry and technical developments as well as changes in legislation and regulations affecting the Group's operations. In-house briefings by external auditors, solicitors and/or Management are also organised from time to time to update Directors on relevant statutory and regulatory requirements and the Group's business and operational practices.</p> <p>During the financial year under review, the Company's external auditors, Messrs BDO PLT conducted in-house training for Directors relating to Enterprise Risk Management. To keep the Directors and Senior Management apprised of the implications of the Corporate Liability provision under the Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Company had invited Deloitte Risk Advisory Sdn Bhd to conduct a separate in-house training for both its Directors and Senior Management.</p> <p>Details of the training and seminars attended by the Directors during the financial year under review are set out in the Corporate Governance Overview Statement of the 2020 Annual Report of the Company.</p> <p>The Board noted the recommendation for Large Companies to engage independent experts periodically to facilitate objective and candid board evaluations.</p> <p>The Board will continue to review the efficiency and effectiveness of the Board evaluation process to ensure it remains a valuable feedback mechanism for improving Board effectiveness, maximising strengths and highlighting areas for further improvement. As the Board is satisfied with the current evaluation methodology and the findings rendered, the Board will continue with the existing practice of annual board evaluation. The Board will engage an independent third party to conduct or facilitate in the evaluation process of the Board and Board Committees when the need arises.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has put in place a formal Remuneration Policy for Directors and Senior Management ("Remuneration Policy") 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.</p> <p>The objectives of this Remuneration Policy are to:</p> <ul style="list-style-type: none"><li>• help attract, recruit, retain and reward high performing, experienced and qualified Directors and Senior Management by providing remuneration commensurate with the responsibilities of their positions and their contributions, be competitive in the industry; and</li><li>• encourage value creation for the Company by aligning the interests of Directors with the long-term interests of shareholders.</li></ul> <p>The Board, through the Remuneration Committee ("RC") will conduct a periodic review of the criteria to be used in recommending the remuneration package of Directors and Senior Management to ensure that it is in line with current market practices and needs. The Remuneration Policy of the Company is made available at the Company's website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</p> <p>The fees of the Non-Executive Directors and any benefits payable to the Directors shall from time to time be determined by Ordinary Resolutions of the Company in general meeting in accordance with Section 230 of the Companies Act 2016.</p> <p>The annual remuneration review usually takes place in October each year. The Board, as a whole, upon recommendations from the RC, determines the fees of Non-Executive Directors and benefits payable to the Directors. Directors' fees and other benefits payable to the Directors for carrying their duties as Directors of the Company, are duly approved by the shareholders at the Annual General Meeting of the Company.</p>

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

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	: Applied																
<b>Explanation on application of the practice</b>	<p>The Remuneration Committee ("RC") of the Company has been established since 2001 and is chaired by a Senior Independent Director, Dato' Yeoh Eng Khoo who was appointed in May 2019.</p> <p>The RC carried out its duties in accordance with its Terms of Reference (which is reviewed periodically and which clearly sets out its role and responsibilities). A copy of the Terms of Reference can be obtained from the Company's website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</p> <p>The following table outlines the remuneration structure for the Non-Executive Directors of the Company:</p> <table border="1"><thead><tr><th>Remuneration</th><th>Fees (RM) Per Annum</th><th>Meeting Allowances (RM)</th></tr></thead><tbody><tr><td>Chairman of the Board</td><td>195,000</td><td rowspan="6">2,000 per meeting</td></tr><tr><td>Board member</td><td>130,000</td></tr><tr><td>Chairman of the Audit and Risk Committee</td><td>30,000</td></tr><tr><td>Audit and Risk Committee member</td><td>25,000</td></tr><tr><td>Chairman of the Nomination Committee ("NC") and RC respectively</td><td>20,000</td></tr><tr><td>NC and RC member respectively</td><td>15,000</td></tr></tbody></table> <p>Benefits payable to the Directors comprise overseas travelling allowance, business travel allowance, medical, insurance coverage and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties.</p>	Remuneration	Fees (RM) Per Annum	Meeting Allowances (RM)	Chairman of the Board	195,000	2,000 per meeting	Board member	130,000	Chairman of the Audit and Risk Committee	30,000	Audit and Risk Committee member	25,000	Chairman of the Nomination Committee ("NC") and RC respectively	20,000	NC and RC member respectively	15,000
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NC and RC member respectively	15,000																

	<p>The Board is satisfied that the RC has effectively and efficiently discharged its roles and responsibilities, which include amongst others, the following:</p> <ol style="list-style-type: none"> <li>(1) Reviewed and recommended to the Board the Non-Executive Directors' fees and benefits payable to the Directors of the Company and where appropriate, other companies within the Group, as well as the remuneration and terms of service of the Executive Director. The Board then agreed that shareholders' approval be sought at the Annual General Meeting on the Directors' remunerations.</li> <li>(2) Reviewed the Group's remuneration policy, benefits and salary scales for its senior management and executives, taking into account the demands, complexities and performance of the Group as well as skills and experience required in order to attract and retain the right talent to drive the long-term objectives of the Group.</li> <li>(3) Reviewed and recommended the annual bonus quantum for bonus schemes applicable to employees of the Group.</li> <li>(4) Reviewed the terms and conditions of the service agreements and to consider and review the remuneration and compensation packages including overall benefits and tenure, where applicable, and to monitor the structures and levels of remuneration to ensure consistency with the Company's remuneration objectives of some key senior management of the Group.</li> <li>(5) Reviewed the effectiveness of the Company's performance measurement and reward process.</li> </ol> <p>The RC met once during the year under review where all the RC members attended.</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

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>	:	Applied																																													
<b>Explanation on application of the practice</b>	:	<p>The details of the remuneration of Directors at the Company level during the year under review are as follows:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Fees (RM'000)</th> <th>Salaries (RM'000)</th> <th>Incentive (RM'000)</th> <th>Other Emoluments# (RM'000)</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Executive Director</b></td> </tr> <tr> <td>1. Dato' Lee Hau Hian</td> <td>-</td> <td>2,940</td> <td>2,750</td> <td>1,115</td> </tr> <tr> <td colspan="5"><b>Non-Executive Directors</b></td> </tr> <tr> <td>1. Tan Sri Dato' Seri Lee Oi Hian*</td> <td>225</td> <td>-</td> <td>-</td> <td>12</td> </tr> <tr> <td>2. Dato' Yeoh Eng Khoo</td> <td>195</td> <td>-</td> <td>-</td> <td>22</td> </tr> <tr> <td>3. Mr. Quah Chek Tin</td> <td>175</td> <td>-</td> <td>-</td> <td>20</td> </tr> <tr> <td>4. Tan Sri Rastam Bin Mohd Isa</td> <td>155</td> <td>-</td> <td>-</td> <td>18</td> </tr> <tr> <td>5. Dr. Tunku Alina Binti Raja Muhd Alias</td> <td>170</td> <td>-</td> <td>-</td> <td>20</td> </tr> </tbody> </table> <p>* Chairman of the Board # Other emoluments include meeting allowance, overseas travelling allowance, business travel, medical, insurance claim and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties</p> <p>The detailed disclosure allows shareholders to make an informed decision when voting on the approval of Directors' remuneration and foster confidence in investors by allowing them to understand the Company's basis and motivation behind their remuneration framework.</p> <p>Disclosures of the detailed remuneration breakdown for all Directors are as set out in the Corporate Governance Overview Statement of the 2020 Annual Report.</p>	Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments# (RM'000)	<b>Executive Director</b>					1. Dato' Lee Hau Hian	-	2,940	2,750	1,115	<b>Non-Executive Directors</b>					1. Tan Sri Dato' Seri Lee Oi Hian*	225	-	-	12	2. Dato' Yeoh Eng Khoo	195	-	-	22	3. Mr. Quah Chek Tin	175	-	-	20	4. Tan Sri Rastam Bin Mohd Isa	155	-	-	18	5. Dr. Tunku Alina Binti Raja Muhd Alias	170	-	-	20
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<b>Explanation for departure</b>	:																																														

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board is of the view that the disclosure of the top five (5) Senior Management on a named basis would be disadvantageous to the Group, given the sensitivity of the information and competitiveness in the market for talent. The Group would like to ensure employee retention efforts are safeguarded at all times.</p> <p>Moreover, the Board is satisfied that the Senior Management's remuneration commensurate with their individual performance as well as Company's performance.</p> <p>The Board had benchmarked the remuneration package of the Company's Senior Management with industry standards and ensures that the remuneration of Senior Management are commensurate with the scope of work, and performance of the individual and the BKB Group. With the existing robust internal process, the Board assures that the remuneration of the top five (5) Senior Management is fair and in line with market practices as the remuneration packages are justified by individual performance, job responsibilities and the Group's performance against financial objectives.</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>	:	The Board will continue to evaluate the need for such disclosure with the monitoring of the market development. The necessary disclosures will be made if satisfied that it is in the best interest of the Group to do so.	
<b>Timeframe</b>	:	Others	The Company intends to maintain the current practice to preserve the confidentiality of such information.



**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial 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>	:	<p>The Audit and Risk Committee ("ARC") comprises four (4) members, all of whom are Independent Non-Executive Directors.</p> <p>The ARC Chairman, Mr Quah Chek Tin is a member of the Malaysian Institute of Accountants and he is not the Chairman of the Board.</p> <p>The separation of these two (2) positions enables the ARC Chairman to devote sufficient time to the affairs of the ARC. The ARC Chairman is responsible for ensuring that the ARC meetings run efficiently and each agenda item is thoroughly and thoughtfully discussed by all members of the ARC.</p> <p>The ARC Chairman also plays the role of the key contact between the ARC members and Board members, as well as Senior Management and the auditors.</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 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Audit and Risk Committee ("ARC") of the Company adopts the policy that requires a former key audit engagement partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARC in its Terms of Reference.</p> <p>None of the Board members are former key audit engagement partners.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial 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>The Audit and Risk Committee ("ARC") has established in its Terms of Reference to include the function of evaluating the performance of the external auditors. Assessment on the performance of the external auditors was carried out at the ARC meeting based on the independence and capabilities of the external auditors as well as the effectiveness of the audit process. The ARC met the external auditors without the presence of Management once during the year under review.</p> <p>In the third quarter of 2020, the Company's external auditors, Messrs BDO PLT ("BDO") presented for the ARC's review its 2020 Audit Planning Memorandum which outlined its engagement team, audit timeline and the areas of audit emphasis. This formed part of the ARC's assessment of the suitability, objectivity and independence of BDO on an annual basis.</p> <p>Having regard to the outcome of the annual assessment of BDO, the ARC recommended to the Board for approval to re-appoint BDO as external auditors of the Company for the financial year ending 30 September 2021 at the forthcoming Annual General Meeting in 2021.</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>	:	Adopted										
<b>Explanation on adoption of the practice</b>	:	<p>The Audit and Risk Committee ("ARC") comprises wholly of Independent Non-Executive Directors. The members of the ARC are as follows:</p> <table border="1"><thead><tr><th><b>Name</b></th><th><b>Designation</b></th></tr></thead><tbody><tr><td>Mr. Quah Chek Tin (Chairman)</td><td>Independent Non-Executive Director</td></tr><tr><td>Dato' Yeoh Eng Khoon (Member)</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>Tan Sri Rastam Bin Mohd Isa (Member)</td><td>Independent Non-Executive Director</td></tr><tr><td>Dr. Tunku Alina Binti Raja Muhd Alias (Member)</td><td>Independent Non-Executive Director</td></tr></tbody></table>	<b>Name</b>	<b>Designation</b>	Mr. Quah Chek Tin (Chairman)	Independent Non-Executive Director	Dato' Yeoh Eng Khoon (Member)	Senior Independent Non-Executive Director	Tan Sri Rastam Bin Mohd Isa (Member)	Independent Non-Executive Director	Dr. Tunku Alina Binti Raja Muhd Alias (Member)	Independent Non-Executive Director
<b>Name</b>	<b>Designation</b>											
Mr. Quah Chek Tin (Chairman)	Independent Non-Executive Director											
Dato' Yeoh Eng Khoon (Member)	Senior Independent Non-Executive Director											
Tan Sri Rastam Bin Mohd Isa (Member)	Independent Non-Executive Director											
Dr. Tunku Alina Binti Raja Muhd Alias (Member)	Independent Non-Executive Director											

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit and Risk Committee ("ARC") of Batu Kawan Berhad comprises members with sound understanding of the language of accounting and finance and they possess wide range of skills, experience, knowledge and qualifications. Mr. Quah Chek Tin is a member of the Malaysian Institute of Accountants, Dato' Yeoh Eng Khoon has a degree in Economics and Law, while Tan Sri Rastam Bin Mohd Isa holds a Master of Arts in International Relations and Strategic Studies, and Dr. Tunku Alina Binti Raja Muhd Alias holds a degree in law as well as a PhD in Islamic Finance.</p> <p>With their financial literacy, the ARC members are able to critically probe highly risky transactions as well as key accounting policies and judgments adopted by the Company in its financial reporting and give strategic input to the Board on the drivers of financial performance.</p> <p>The ARC members had attended various professional development programmes and seminars to keep themselves abreast of relevant development in accounting and auditing standards, practices and rules. Details of the professional development programmes and seminars attended by the ARC members during the financial year are set out in the Corporate Governance Overview Statement of the 2020 Annual Report of the Company.</p> <p>The Nomination Committee reviewed and assessed the duties carried out by the ARC during the financial year 2020 and was satisfied that the ARC and each of its members have sufficient understanding of the Group's business and able to apply a critical and probing view on the financial results and information prepared by Management. The ARC had also discharged their duties effectively and efficiently in accordance with its Terms of Reference.</p>

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

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board affirms its overall responsibility in maintaining a sound risk management and internal control system at Batu Kawan Berhad ("BKB") to safeguard the interests of shareholders, customers, employees and the Group's assets.</p> <p>Whilst the Board remains responsible over risk management and internal controls, the task of scrutinising the framework is taken up by the Audit and Risk Committee ("ARC"). The ARC members have sound knowledge of risk management and internal control concepts, and are able to assess risks in an objective manner. The ARC is supported by the Group Risk Management Committee ("GRMC"), headed by the BKB Managing Director, in overseeing the risk management efforts within the Group, and ensuring the effectiveness of the risk management policies and processes.</p> <p>A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation measures. These on-going processes are co-ordinated by the Internal Audit Department in conjunction with all the business heads within the Group and with periodic reporting to the GRMC, which in turn reports to ARC.</p> <p>The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and is of the view that the risk management and internal control system is operating satisfactorily and no material losses were incurred as a result of internal control weaknesses or adverse compliance events.</p> <p>The BKB Managing Director and Chief Financial Officer have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.</p>
<b>Explanation for departure</b>	:	



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

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is supported by its Group Risk Management Committee ("GRMC"), headed by the Batu Kawan Berhad ("BKB") Managing Director in overseeing the risk management efforts within the BKB Group and ensuring the effectiveness of the risk management policies and processes. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.</p> <p>The BKB Group's risks relating to the Plantation sector are managed by the Group RMC of its main subsidiary, Kuala Lumpur Kepong Berhad ("KLK"). The principal Plantation sector risks include sustainability risks, regulatory risks, market and commodity prices risks and operational risks. These principal risks are reviewed by KLK's board of directors.</p> <p>The features of its risk management and internal control framework include:</p> <ol style="list-style-type: none"><li>(1) Board meetings are held quarterly to review the BKB Group's activities and operations. The BKB Managing Director leads the presentation of board papers and provides explanations on pertinent issues. In arriving at any decision, on the recommendation by Management, a thorough deliberation and discussion by the Board is a prerequisite.</li><li>(2) Organisational structures with formally defined responsibility lines and delegation of authority.</li><li>(3) Performance Management Framework in which management reports are generated on a regular and consistent basis to facilitate the Board and Group's Management in performing financial and operating reviews on the various operating centres.</li><li>(4) Documented Operational Policies and Procedures.</li><li>(5) Assessed the Corruption Risk which assessed and identified vulnerable processes and risk factors that may require mitigation controls to address potential bribery and corruption practices.</li><li>(6) Establishment of a Group Anti-Corruption Policy and its Standard Operating Procedures.</li></ol>

	<p>(7) The Internal Audit Department, which reports directly to the ARC, conducts reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, manage and report risks. Routine reviews are conducted on the operating centres under the Group's business segments. Appropriate recommendations are made to address issues and weaknesses highlighted and subsequently followed up to ensure proper implementation.</p> <p>In October 2020, the GRMC had assessed the risk impact and likelihood of those key risks and determined the risk ratings accordingly for continuous risk mitigation actions. The GRMC regularly monitors the key risks facing the business in order to stay current on governance practices relating to the risk.</p> <p>In view of the rapidly evolving situation surrounding the COVID-19 pandemic, the Board and Management are closely monitoring and pro-actively managing the situation and its corresponding impact to the Group's business and operations.</p> <p>Further details on the features of the risk management and internal control framework are provided in the Statement of Risk Management and Internal Control of the 2020 Annual Report of the Company.</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 9.3 - Step Up**

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

<b>Application</b>	:	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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has an independent in-house Internal Audit Department (“IAD”) whose principal responsibility is to independently assess and report to the Board, through the Audit and Risk Committee (“ARC”), the systems of internal control of the Company.</p> <p>The IAD reports directly to the ARC and conducts reviews on the system of internal control and the effectiveness of the processes to identify, manage and report risk. Routine reviews are conducted on units under the Group’s business segments.</p> <p>The IAD carries out its duties in accordance with the Internal Audit Charter and its annual internal audit plan which is approved by the ARC. The Internal Audit Charter defines the objectives, roles and responsibilities, authority and code of ethics of the IAD.</p> <p>During the year under review, the activities carried out by the IAD are as follows:</p> <ol style="list-style-type: none"><li>(1) Undertook internal audit based on the audit plan that had been reviewed and approved by the ARC which includes the review of operational compliance with established internal control procedures and reliability of financial records.</li><li>(2) Attended budget review meetings held twice annually by the BKB Group’s Senior Management to keep abreast of strategic and operational planning issues. Discussions relating to principal and significant business risks are recorded and forwarded to the Group Risk Management Committee and ARC.</li><li>(3) Conducted investigations with regards to specific areas of concern as directed by the ARC and the Management.</li><li>(4) Assessed key business risks at each business unit and performed continuous monitoring of those risks via risk validation procedures and reviewing supporting documentations.</li><li>(5) Reviewed the Group’s Corruption Risk Assessment exercise which assessed and identified vulnerable processes and risk factors that may require mitigation controls to address potential bribery and corruption practices.</li><li>(6) Reviewed the formalised Group Anti-Corruption policy and procedures.</li><li>(7) Issued and presented quarterly internal audit report summaries to the ARC, on the BKB Group’s operating centres with appropriate audit recommendations.</li></ol>

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

### Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The personnel of the Internal Audit Department (“IAD”) is free from any relationship or conflict of interest, which could impair their objectivity and independence. The independence of the internal audit function is evidenced from its direct reporting to the Audit and Risk Committee functionally and administratively to the Company’s Chief Financial Officer.</p> <p>The IAD currently comprises two (2) personnel and was previously led by Mr. Ooi Soong Sim who had resigned during the year. He was subsequently replaced by Mr. Tong Hoe Ming who joined the Company in November 2020. Mr. Tong holds MBA, a degree in Finance and is a Certified Internal Auditor - accredited by The Institute of Internal Auditors. He has numerous years of working experience as an Internal Auditor. The IAD personnel have relevant qualifications and experience to carry out their duties independently and professionally.</p> <p>The IAD is governed by the Internal Audit Charter which states the purpose and scope of work, independence, responsibility and the authority accorded to the IAD. Their audit practices follow the Professional Internal Auditing Standards as prescribed by the Institute of Internal Auditors, Malaysia.</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>The Company recognises that ongoing communication and engagement with stakeholders are essential to provide stakeholders with a better appreciation of the Company's objectives and the quality of its management.</p> <p>The Managing Director of the Company leads the stakeholder communication function and is supported by the Batu Kawan Berhad ("BKB") Chief Financial Officer and Companies Secretaries. The Senior Independent Non-Executive Director acts as a point of contact for shareholders and other stakeholders, particularly on concerns which cannot be resolved through the normal channels of the Chairman and/or BKB Managing Director.</p> <p>The Company uses a number of formal channels to account to shareholders and stakeholders, including:</p> <p><u>Annual Report</u></p> <p>The Annual Report is a major channel of communication disclosing information not only on the Group's business, financials and other key activities but also additional information such as strategies, operations, performance, challenges and its management. The Board places great importance on the content of the Annual Report to ensure the accuracy of the information as the Annual Report is a vital source of information for investors, shareholders and the general public.</p> <p><u>Announcements to Bursa Malaysia Securities Berhad</u></p> <p>Timely announcements of financial results on a quarterly basis, circulars and other relevant matters are made via Bursa LINK in a timely manner to ensure equal and fair access to information is provided to the investing public to make informed decisions. These announcements are also made available on the Company's own website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</p>



	<p><u>Annual General Meetings</u></p> <p>The Board ensures the Company's Annual General Meetings are conducted in an efficient manner in order to serve as the principal forum for dialogue and interaction with the shareholders of the Company. At Annual General Meetings, shareholders are encouraged to present their views or to seek clarification on the progress, performance and major developments of the Company. The Chairman also plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Senior Management.</p> <p>The Company has adopted electronic poll voting at general meetings for greater transparency and efficiency in the voting process. All shareholders are briefed on the voting procedures by the poll administrator and an independent external party is also appointed as scrutineer for the electronic poll voting process. The Chairman announces the voting results of all resolutions tabled before the closure of each general meeting and the results are released to Bursa Malaysia Securities Berhad immediately after the meeting to enable the public to know the outcome thereof. The summary of Annual General Meeting proceedings is also made available on the Company's website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</p> <p><u>Company website</u></p> <p>The Company website is freely accessible to the public and the Directors welcome feedback channelled through the website. To facilitate the stakeholders' understanding of the Company with respect to the business of the Company and its policies on governance, the Company has placed various documents pertaining to the organisation, Board, corporate governance, policies, charters, terms of reference as well as other corporate information on the Company's website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a> for easy reference.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board of Directors is of the view that its Annual Report provides sufficient financial and non-financial information to enable stakeholders to make informed decisions with respect to the Company.	
		As such, the Company would periodically review the need for the adoption of an integrated reporting based on a globally recognised framework at the appropriate time.	
		The comprehensive financial and non-financial information in the Annual Reports, including Management Discussion and Analysis, Corporate Governance Overview Statement and Sustainability Statement, provide adequate information to stakeholders.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Company will assess the importance of full adoption of an integrated reporting and review the need for such adoption at the appropriate time.	
<b>Timeframe</b>	:	Others	Within four (4) years

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company dispatches the notice of its Annual General Meeting (“AGM”) to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This allows the shareholders to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys, as well as sufficient time to consider the resolutions that will be discussed and decided at the AGM. The notice of AGM which forms part of the Annual Report is circulated to the shareholders in hardcopies by post. The said notice is also accessible by the shareholders via Bursa Malaysia Securities Berhad’s website as well as the Company’s website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>. The notice is also given by advertisement in one (1) nationally circulated daily newspaper (i.e The Star).</p> <p>The Company also provides details of the AGM to the shareholders regarding eligibility of the shareholders to attend the meeting, their rights to appoint proxies and other relevant information pertaining to the AGM. In addition, there are explanatory notes to the notice of AGM providing detailed explanation for each resolution proposed to enable shareholders to make an informed decision in exercising their voting rights.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>At the Fifty-Fifth (55<sup>th</sup>) Annual General Meeting (“AGM”) of the Company held on 18 February 2020, all the six (6) Directors were present in person to engage directly with the shareholders at the AGM. Amongst them, two (2) Directors were the Chairmen of the Audit and Risk Committee, Nomination Committee and Remuneration Committee.</p> <p>The proceedings of the 55<sup>th</sup> AGM included addressing issues raised by the shareholders and Minority Shareholder Watchdog Group in relation to the operational and financial performance of the Group and further clarification of the proposed resolutions, before putting such resolutions to vote. The Directors, Management and External Auditors responded to the shareholders’ queries. Before the commencement of the meeting and to ensure transparency, the shareholders were also provided with the Company’s responses to questions submitted in advance of the meeting by the Minority Shareholder Watchdog Group. Officers of the Company were present to handle other face-to-face enquiries from shareholders.</p> <p>The summary of proceedings of the AGM is made available to the shareholders and the public for viewing at the Company’s website, <a href="http://www.bkawan.com.my">www.bkawan.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Company has adopted electronic poll voting since its Fifty-Second Annual General Meeting ("AGM") for all resolutions proposed. Electronic voting devices are used to provide a more efficient and accurate outcome of the results. The Share Registrars was appointed as the Poll Administrator to conduct the polling process, and an independent external party as Scrutineers to verify the poll results.</p> <p>The AGM is always held within the vicinity of Ipoh at a venue familiar to shareholders of the Company and with access to public transportation, so as to facilitate a high shareholders' attendance. Shareholders who are unable to attend the AGM can appoint their proxies or duly authorised attorney or representatives to attend the meeting for and on their behalf.</p> <p>Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting in accordance with the relevant provisions of the Company's Constitution.</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>	:	The Company plans to make available the required services to facilitate voting in absentia and remote participation by shareholders at its forthcoming Fifty-Sixth (56 <sup>th</sup> ) AGM to be held in 2021.	
<b>Timeframe</b>	:	Others	By the 56 <sup>th</sup> BKB AGM to be held in 2021.

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

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

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