

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1899
COMPANY NAME : BATU KAWAN BERHAD
FINANCIAL YEAR : September 30, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>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>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, www.bkawan.com.my. The roles and responsibilities of the Board include, but not limited to the following:</p> <ol style="list-style-type: none">(1) Promote good corporate governance culture within the Company based on the principles of transparency, objectivity and integrity.(2) Review and decide 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.(3) Ensure strategic planning supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.(4) Ensure there is effective risk management, compliance and control systems (including legal compliance).(5) Ensure there are measures in place to provide for succession planning of Board and Senior Management for business continuity.(6) Ensure corporate accountability by maintaining effective communication with shareholders and other stakeholders. <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.</p>

	<p>The Board delegates certain of its governance responsibilities to its Board Committees, which operate under their clearly defined terms of reference. The Chairmen of the respective Board Committees report to the Board the outcome of deliberations of the Board Committee meetings.</p> <p>The Board received regularly both, information on financial and non-financial matters in relation to the Group's and Company's performances.</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

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<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. He is able to control 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. He participates in the channels of communication between his fellow Directors and the Management team.</p> <p>The role and responsibilities of the Chairman include:</p> <ol style="list-style-type: none"> (1) Provides effective leadership for the Board so that the Board can perform its responsibilities effectively. (2) 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. (3) Leads Board meetings and discussions to ensure efficient conduct of the Board meetings. (4) Encourages active participation and allows dissenting views to be freely expressed to ensure core issues of the Group are addressed. (5) Promotes consultative and respectful relations between the Board members and between the Board and Management. (6) 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.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The positions of Chairman and Managing Director ("MD") are held by two (2) different individuals. The division in the roles of the Chairman and MD is clearly defined (as set out in the Board Charter), so as to promote accountability and facilitate division of responsibilities between them.</p> <p>The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the MD has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions.</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

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

Practice 1.4

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

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

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<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 agenda include, amongst others, the following:</p> <ul style="list-style-type: none"> • Risk management issues and resolution; • Funding requirements; • Formulation and monitoring of the Company’s policies; • Corporate exercises; • Corporate disclosures and announcements; • Emerging business issues. <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. These minutes of meetings would also be circulated to all Directors on a timely manner.</p> <p>Key decisions are always made in Board meetings with Directors’ Circular Resolutions confined to formalising matters that have already been discussed at Board meetings.</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

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 Charter was adopted by the Board on 20 February 2013, and is reviewed periodically and the last review was carried out in May 2018.</p> <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 available on Batu Kawan Berhad's website.</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

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

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

Practice 3.1

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

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

Application	: Applied
Explanation on application of the practice	<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 other, the following matters:</p> <ul style="list-style-type: none"> • Conflicts of Interest • Anti-bribery and Corruption • Inside Information and Securities Trading • Anti-Money Laundering and Anti-Terrorism Financing • Anti-Trust and Competition Laws • Intellectual Property • Corporate Responsibility • Equal Opportunity and Workplace Diversity • Anti-Harassment • Human Trafficking, Child and Forced Labour • Environment, Health and Safety • Business Records Integrity

	<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.</p> <p>These codes are made available on the Company's website.</p>	
<p>Explanation for departure</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>Measure</p>		
<p>Timeframe</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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Batu Kawan Berhad (“BKB”) Group is committed in ensuring the highest standards of integrity from all its stakeholders and 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 BKB Group as a means to ensure that the standards by which the BKB Group subscribes to are upheld and maintained at the highest level.</p> <p>The BKB Group has established whistleblowing policy and procedures whereby the 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. All concerns should be addressed to the immediate superior or the BKB Managing Director, or to the Audit and Risk Committee Chairman for concerns which cannot be resolved through normal channels of the immediate superior or BKB Managing Director.</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

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Batu Kawan Berhad currently has seven (7) members, comprising six (6) Non-Executive Directors (including the Chairman) and one (1) Executive Director, with five (5) 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.</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 annually to ensure its appropriateness and effectiveness.</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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>R. M. Alias and Dato' Yeoh Eng Khoon have served on the Board as Independent Directors, each exceeding a cumulative term of nine (9) years.</p> <p>The Nomination Committee ("NC") and the Board have determined that these Directors 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 roles 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 R. M. Alias and Dato' Yeoh Eng Khoon 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 R. M. Alias and Dato' Yeoh Eng Khoon as Independent Directors of the Company based on the following justifications:</p> <ol style="list-style-type: none">(1) They fulfil the criteria of an independent director pursuant to the Main LR;(2) They have wide experience relating to the BKB Group's business operations;(3) They devoted sufficient time and attention to their responsibilities as Independent Directors of the Company; and

	<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>R.M. Alias will retire at the conclusion of the forthcoming Annual General Meeting to be held on 19 February 2019.</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>Measure</p>	<p>:</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"> • possesses sufficient self-esteem and confidence to stand-up for an independent point of view; • approaches any transaction that requires board's approval with a watchful eye and an inquiring mind; • 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 • 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. 		
<p>Timeframe</p>	<p>:</p> <table border="1" data-bbox="544 1285 1407 1370"> <tr> <td data-bbox="544 1285 963 1370">Others</td> <td data-bbox="963 1285 1407 1370"></td> </tr> </table>	Others	
Others			

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied																													
Explanation on application of the practice	:	<p>The Nomination Committee (“NC”) of Batu Kawan Berhad (“BKB”) assesses 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. Senior Management positions are filled based on merit.</p> <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 is as follows:</p> <table border="1" data-bbox="558 1019 1404 1243"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Race/Ethnicity</th> <th colspan="2">Gender</th> <th colspan="3">Age Group</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Male</th> <th>Female</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>3</td> <td>4</td> <td>6</td> <td>1</td> <td>1</td> <td>4</td> <td>2</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 BKB Group.</p>								Race/Ethnicity		Gender		Age Group			Malay	Chinese	Male	Female	50 to 59	60 to 69	70 to 89	Number of Directors	3	4	6	1	1	4	2
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Explanation for departure	:																														
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																															
Measure	:																														
Timeframe	:																														

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board of Batu Kawan Berhad ("BKB") appointed Dr. Tunku Alina binti Raja Muhd Alias ("Dr. Tunku Alina") on 20 April 2018. The Nomination Committee ("NC") and Board acknowledge 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> <p>The NC noted that notwithstanding the appointment of Dr. Tunku Alina, NC and the Board continues to source for suitable qualified female candidates for appointment to BKB Board via independent or search firms, in order to achieve 30% female directors on BKB Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will continue to source for suitable female candidates and will consider the appointment of additional female Directors as and when there are right candidates available.
Timeframe	:	Others

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<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. The appointment of Dr. Tunku Alina binti Raja Muhd Alias had followed the aforesaid process accordingly.</p> <p>The NC and Board continue to source for suitable qualified candidates via independent or search firms.</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

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The appointment of Chairman of the Nomination Committee (“NC”) is set out in its terms of reference (which last review was carried out in May 2018). The current Chairman of the NC is the Senior Independent Director (“SID”), Dato’ Yeoh Eng Khoon who is appointed by the Board.</p> <p>The specific role and responsibilities of the SID are as set out in the Board Charter, which is available on Batu Kawan Berhad’s website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to 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
Explanation on application of the practice	<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 Board formalised an annual written Board evaluation of the performance of the Board, its Board Committees and each individual Director and had conducted the assessments through a series of questionnaires [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 summarised results were then 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.</p>

	<p>The Board noted the recommendation for Large Companies to engage independent experts periodically to facilitate objective and candid board evaluations. As the Board is satisfied with the current evaluation methodology and the findings rendered, the Board has concluded that there is no urgent need for the Company to engage an independent expert for the annual board evaluation.</p> <p>The Board will continue with the existing practice of annual board evaluation and an independent third party will be appointed to conduct or facilitate in the evaluation process of the Board and Board Committees as and when deemed necessary.</p>	
<p>Explanation for departure</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>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<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. The objective of this policy is to 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 encourage value creation for the Company by aligning the interests of Directors with the long-term interests of shareholders. The Company 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.</p> <p>The Board, as a whole, upon recommendations from the RC, determines the level of fees of Non-Executive Directors and Executive Directors. Directors’ fees and other benefits payable to the Directors for carrying their duties as Directors of the Company are approved by the shareholders at the Annual General Meeting of the Company.</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	:		
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Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee ("RC") of the Company has been established since 2001 and is chaired by an Independent Director.</p> <p>The RC carried out its duties in accordance with its terms of reference (which last review was carried out in May 2018) that clearly sets out its role and responsibilities. A copy of the terms of reference can be obtained from the Company's website.</p> <p>The key responsibilities of the RC include:</p> <ol style="list-style-type: none">(1) To review and recommend to the Board the remuneration policy and framework for Directors' and Senior Management.(2) To review and recommend the fees and benefits payable to the Non-Executive Directors of the Company and where appropriate, other companies within the Batu Kawan Berhad ("BKB") Group, as well as the remuneration and terms of service of Executive Directors.(3) To review the BKB Group's remuneration policy, benefits and salary scales for its senior management and executives, taking into account the demands, complexities and performance of the BKB 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 BKB Group.(4) To review and recommend the annual bonus quantum for bonus schemes applicable to employees of the BKB Group.(5) To review 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 the some key senior management of the BKB Group.(6) To review the effectiveness of the Company's performance measurement and reward process. <p>The RC met two (2) times during the year under review where all the RC members attended.</p>

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

Intended Outcome

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

Practice 7.1

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

Application	:	Applied																																																		
Explanation on application of the practice	:	<p>The details of the remuneration of Directors 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">Executive Director</td> </tr> <tr> <td>1. Dato' Lee Hau Hian</td> <td>-</td> <td>2,410</td> <td>1,680</td> <td>784</td> </tr> <tr> <td colspan="5">Non-Executive Directors</td> </tr> <tr> <td>1. Tan Sri Dato' Seri Lee Oi Hian*</td> <td>225</td> <td>-</td> <td>-</td> <td>9</td> </tr> <tr> <td>2. R.M. Alias</td> <td>165</td> <td>-</td> <td>-</td> <td>9</td> </tr> <tr> <td>3. Dato' Yeoh Eng Khoon</td> <td>180</td> <td>-</td> <td>-</td> <td>11</td> </tr> <tr> <td>4. Mr. Quah Chek Tin</td> <td>170</td> <td>-</td> <td>-</td> <td>11</td> </tr> <tr> <td>5. Tan Sri Rastam Bin Mohd Isa</td> <td>155</td> <td>-</td> <td>-</td> <td>9</td> </tr> <tr> <td>6. Dr. Tunku Alina Binti Raja Muhd Alias^</td> <td>67</td> <td>-</td> <td>-</td> <td>4</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 ^ Appointed on 20 April 2018</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>	Category	Fees (RM'000)	Salaries (RM'000)	Incentive (RM'000)	Other Emoluments# (RM'000)	Executive Director					1. Dato' Lee Hau Hian	-	2,410	1,680	784	Non-Executive Directors					1. Tan Sri Dato' Seri Lee Oi Hian*	225	-	-	9	2. R.M. Alias	165	-	-	9	3. Dato' Yeoh Eng Khoon	180	-	-	11	4. Mr. Quah Chek Tin	170	-	-	11	5. Tan Sri Rastam Bin Mohd Isa	155	-	-	9	6. Dr. Tunku Alina Binti Raja Muhd Alias^	67	-	-	4
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Explanation for departure	:																																																			

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

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>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 is of the view that the disclosure of the top five (5) senior management on a named basis would be disadvantageous to the Batu Kawan Berhad ("BKB") Group, given the competitiveness in the market for talent and the BKB Group would like to ensure employee retention efforts are safeguarded.</p> <p>Management had benchmark the remuneration package of the Company's Senior Management with the 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 believes 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>		
Measure	:	The Board will continue to evaluate the implications and will make the necessary disclosures if satisfied that it is in the best interest of the BKB Group to do so.
Timeframe	:	Others

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit and Risk Committee ("ARC") comprises four (4) members, all of whom are Independent Non-Executive Directors.</p> <p>The Chairman of the ARC is distinct from the Chairman of the Board, with Dato' Yeoh Eng Khoon (who is a Senior Independent Non-Executive Director) as the ARC Chairman and Tan Sri Dato' Seri Lee Oi Hian as the Chairman of the Board. The separation of these two (2) positions enables Dato' Yeoh to devote sufficient time to the affairs of the ARC. Dato' Yeoh 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>He also plays the role of the key contact between the ARC members and Board members, as well as Senior Management and the auditors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit and Risk Committee (“ARC”) has adopted 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 on 16 May 2018. The Board has not appointed any former key audit engagement partner as a member of the ARC.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<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 meets the external auditors without the presence of Management, whenever necessary, and at least once a year.</p> <p>The present external auditors, Messrs KPMG PLT will retire at the forthcoming Annual General Meeting of the Company. The ARC, having assessed the qualification and capabilities of several audit firms (which includes their reputation and presence in the industry, qualifications of its professionals, networking ability and competency to evaluate overseas subsidiaries not audited by the firm and the internal quality control processes in place) recommended to the Board for the change of the Company's external auditors to Messrs BDO, in place of the retiring external auditors, Messrs KPMG PLT.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit and Risk Committee ("ARC") comprises solely of Independent Directors. The members of the ARC are as follows: Dato' Yeoh Eng Khoon (Chairman) - Senior Independent Non-Executive Director Mr. Quah Chek Tin - Independent Non-Executive Director Tan Sri Rastam Bin Mohd Isa - Independent Non-Executive Director Dr. Tunku Alina Binti Raja Muhd Alias - 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit and Risk Committee ("ARC") of the Company comprises members with sound understanding of the language of accounting and finance and they possess wide range of skills, experience, knowledge and qualifications. The ARC members, Dato' Yeoh Eng Khoon has a degree in Economics and Law, Mr. Quah Chek Tin is a member of the Malaysian Institute of Accountants 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. 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>External audit/legal firms are regularly engaged to conduct in-house trainings for the Directors in order to ensure that the ARC members are kept abreast of relevant developments in accounting, legislation, rules and regulations. Regular internal and external trainings are also held for Directors to keep abreast of the conduct, business activities and development of the Company. Visits to operational sites are organised with the objective of deepening the Board's understanding of the Company and its subsidiaries, particularly for the Non-Executive Directors.</p> <p>The seminars, courses and training programmes attended by the Directors for the year under review are disclosed in the Corporate Governance Overview Statement in the 2018 Annual Report of the Company.</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

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 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 BKB 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.</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 BKB 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 BKB 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 BKB 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>
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	:		
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Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by the Group Risk Management Committee ("GRMC"), headed by the Batu Kawan Berhad ("BKB") Managing Director in overseeing the risk management efforts within the BKB 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 and treatment measures.</p> <p>The BKB Group's risks relating to the Plantation sector are managed by its main subsidiary, Kuala Lumpur Kepong Berhad's ("KLK") own GRMC. 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">(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, the Board undertakes due deliberation and discussion considering the risk management aspects and risk factors of the decision beforehand.(2) Organisational Structures with formally defined responsibility lines and delegation of authority.(3) Performance Management Framework in which management reports are generated to enable the Board and Senior Management to perform financial and operating reviews on the operating centres.(4) Documented Operational Policies and Procedures.(5) Internal Audit conducts reviews on the risk management and internal control system to identify, manage and report risks. Routine reviews are conducted on the operating centres under the BKB Group's business segments. Recommendations are made to address issues and weaknesses highlighted and subsequently followed up to ensure proper implementation.

	Further details on the features of the risk management and internal control framework are provided in the Statement of Risk Management and Internal Control in the 2018 Annual Report of the Company.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<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 is headed by the Head of Internal Audit, 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 Batu Kawan Berhad (“BKB”) Group’s business segments.</p> <p>The IAD carries out its duties in accordance with the Internal Audit Charter which is approved by Managing Director of the Company and the Chairman of 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"> (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. (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. (3) Conducted investigations with regards to specific areas of concern as directed by the ARC and the Management. (4) Assessed key business risks at each business unit and performed continuous monitoring of those risks via risk validation procedures and reviewing supporting documentations. (5) Issued and presented quarterly internal audit report summaries to the ARC, on the BKB Group’s operating centres with appropriate audit recommendations.
Explanation for departure	:	

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

Intended Outcome

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 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 Batu Kawan Berhad Group Financial Controller.</p> <p>The IAD is headed by Mr. Ng Weng Kiang who holds an Honours Bachelors Degree in Accounting from Universiti Utara Malaysia. Mr. Ng was appointed in August 2001. He is also a Chartered Accountant of the Malaysian Institute of Accountants.</p> <p>IAD is staffed by two (2) audit executives, including the Head of IAD. The IAD personnel have relevant qualifications and experience to carry out their duties independently and professionally.</p> <p>The Internal Audit function is guided by its Internal Audit Charter. The Charter sets out the objectives, authority, independence, scope and responsibility of the internal audit function, which are consistent with the Standards for Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<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") Group Financial Officer/Companies Secretaries. The Senior Independent 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 Managing Director.</p> <p>Timely announcements and release of financial results on a quarterly basis provide the stakeholders with an overview of the BKB Group's performance and operations. Summaries of the BKB Group's second (2nd) and fourth (4th) quarterly financial results are advertised in a major national daily (i.e The Star) and copies of the full announcements are provided on request.</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's 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 references as well as other corporate information on the Company's website, for easy reference.</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board of Directors believes that the existing reporting standards adopted by the Company are sufficient to enable the stakeholders to make informed decisions with respect to the Company.</p> <p>The Company would review the need to put in place policies which adopt integrated reporting based on a globally recognised framework at the appropriate time.</p> <p>The fairly comprehensive financial and non-financial information in the Annual Report, including Management Discussion and Analysis, Corporate Governance Overview Statement and Sustainability Statement, have provided adequate information to the stakeholders.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Having considered the importance of full adoption of integrated reporting, the Company will review the need to put in place policies which adopt integrated reporting based on a globally recognised framework at the appropriate time.
Timeframe	:	Others

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company practises service of at least 28 days' notice of Annual General Meeting ("AGM") to shareholders. This allows the shareholders with sufficient time to consider the resolutions that will be discussed and decided at the AGMs. 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. The notice is also given by advertisement in one (1) nationally circulated daily newspapers (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>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>At the 53rd Annual General Meeting (“AGM”) of the Company held on 13 February 2018, 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 53rd AGM included addressing all issues raised by the shareholders and Minority Shareholder Watchdog Group in relation to the operational and financial performance of the Batu Kawan Berhad Group and further clarifications of the proposed resolutions, before putting such resolutions to vote. The Directors, Management and External Auditors responded to the shareholders’ queries. The shareholders were also provided with the Company’s responses to questions submitted in advance of the meeting by the Minority Shareholder Watchdog Group before the commencement of the meeting to ensure transparency.</p> <p>The summary of proceedings of the AGM is made available to the shareholders and public for viewing at the Company’s website.</p> <p>Having considered the importance of maintaining good rapport with shareholders, the Company convened an Extraordinary General Meeting on 15 August 2018 to provide shareholders an additional opportunity to raise questions or seek clarification from the Board on the adoption of the Company’s new Constitution. This general meeting had provided an avenue for shareholders to communicate directly with the Board in a meaningful discussion on the specified agenda. It also allowed the Board to stay focused on the sole agenda of the meeting and enabled better anticipation of shareholders’ concern and contentious issues on the specified matter.</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	:		
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Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company has adopted electronic poll voting since its 52nd Annual General Meeting (“AGM”) for all resolutions proposed. Electronic voting devices were used to provide a more efficient and accurate outcome of the results. Symphony Share Registrars Sdn Bhd was appointed as the Poll Administrator to conduct the polling process, and Symphony Corporatehouse Sdn Bhd as Scrutineers to verify the poll results.</p> <p>The AGMs were held at its registered office which is located in the city centre of Ipoh, Perak with access to public transportation, so as to facilitate a high shareholders’ attendance. The train station is also within walking distance to the venue of the AGM.</p> <p>For shareholders who are unable to attend the AGM, the shareholders can appoint their proxies or duly authorised attorney or representatives to attend the meeting for and on their behalf.</p> <p>The Company will continue to study the availability and cost of relevant technology to facilitate an increase voting participation per the recommendation of Practice 12.3.</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>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	The Company will continue to explore and identify a suitable voting system to facilitate voting in absentia and remote participation of shareholders at General Meetings. The Company will adopt this recommendation when the required infrastructure to facilitate such mode of voting, technical support and readiness of shareholders have been put in place.
Timeframe	:	Others

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

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

Not applicable.
