

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 4405  
**COMPANY NAME** : Tan Chong Motor Holdings Berhad  
**FINANCIAL YEAR** : December 31, 2018

## OUTLINE:

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

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

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

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

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

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

### **Intended Outcome**

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

### **Practice 1.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board sets the strategic direction of the Group and ensures effective leadership through oversight of Management and robust monitoring of the activities and performance in the organization.</p> <p>All members of the Board are aware of their responsibility to make decisions objectively which promote the success of the Group for the benefits of shareholders and other stakeholders. The roles and responsibilities of the Board are clearly set out in the Board Charter, which serves as a reference point for Board activities. Salient features of the Board Charter are published on the Company's website at <a href="http://www.tanchonggroup.com">www.tanchonggroup.com</a>.</p> <p>The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate internal controls to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.</p> <p>To assist in the discharge of its stewardship role, the Board has established a number of committees, namely the Audit Committee, Nominating and Remuneration Committee, and Board Risk Management and Sustainability Committee (collectively "Board Committees"), to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.</p>

	<p>The Executive Team (as defined in the Board Charter), comprising the President (leader), Group Chief Executive Officer (“Group CEO”), Chief Financial Officer (“CFO”), and other Senior Management Personnel, is responsible to the Board in accordance with their respective roles, positions, functions and responsibilities which include, inter-alia, the achievement of Company’s goals and observance of management authorities delegated by the Board, developing business plans which are aligned to the Group’s requirements for growth, profitability and return on capital to be achieved, ensuring cost effectiveness in business operations, overseeing development of human capital and ensuring members of the Board have the information necessary to perform their fiduciary duties and other governance responsibilities.</p> <p>As the leader of the Executive Team, the President, who is supported by Group CEO, CFO and other Senior Management Personnel in the Executive Team, implements the Group’s strategies, policies and decisions adopted by the Board and oversees the operations and business development of the Group.</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

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>Dato' Tan Heng Chew as Chairman of the Board, is responsible for ensuring the adequacy and effectiveness of the Board's governance process. He acts as facilitator at Board Meetings to encourage Board members to participate in discussions to ensure contributions from Directors are forthcoming on matters being deliberated and that no Board member, whether executive or otherwise, dominates discussion resulting in logical and understandable outcomes and dissenting views being freely expressed.</p> <p>His key responsibilities as Chairman include the following:</p> <ul style="list-style-type: none"><li>• presiding at Board and shareholders meetings and ensuring the proceedings thereof comply with good conduct and practices;</li><li>• leading the Board in establishing and monitoring good corporate governance practices in the Company;</li><li>• consulting with the Board promptly over any matter that gives him cause for major concern;</li><li>• managing Board communications and Board effectiveness, and the interface between Board and Management;</li><li>• together with the Company Secretary, determines the content of the agenda and the information to be supplied to the Board and ensure that Board members receive complete and accurate information in a timely manner;</li><li>• providing leadership to the Board so that the Board can perform its responsibilities effectively; and</li><li>• facilitating effective communication between the Board and stakeholders.</li></ul> <p>In discharging his leadership role as Chairman, Dato' Tan Heng Chew ensures that the Board decisions taken are in the Company's best interest and reflect Board's consensus.</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**

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The positions of Chairman and Chief Executive of the Company are helmed by Dato' Tan Heng Chew, the President of the Company.
		The Board is of the view that with the stature and professionalism of the Independent Non-Executive Directors, who form half the Board size, coupled with the adoption of the Board Charter that formally set out the schedule of matters reserved solely to the Board for decision making, there is no unfettered powers and the relevant checks and balances are in place to address the positions of Chairman and Chief Executive being assumed by the same Director.
		The current Board consists of six (6) members, three (3) Executive Directors and three (3) Independent Non-Executive Directors.  The Nominating and Remuneration Committee proposed that another Independent Non-Executive Director be appointed as it reckoned that the Board could do better with majority of Independent Non-Executive Directors.
<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>	:	Choose an item.

### 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 Board is supported by Company Secretaries who are qualified in accordance with the requirements of the Companies Act 2016, experienced and competent on statutory and regulatory requirements. Key responsibilities of the Company Secretaries include the following:</p> <ul style="list-style-type: none"><li>• manage all Board and Board Committees meeting logistics, attend and record minutes of all Board and Board Committee meetings and facilitate Board communications;</li><li>• advise the Board on its roles and responsibilities;</li><li>• facilitate the orientation of new Directors and assist in Directors' training and development;</li><li>• advise the Board on corporate disclosures and compliance with the Companies Act 2016, Securities Regulations and Listing Requirements;</li><li>• manage processes pertaining to the Annual and Extraordinary General Meetings;</li><li>• monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and</li><li>• serve as a focal point for stakeholders' communication and engagement on corporate governance issues.</li></ul> <p>The performance of the Company Secretaries is evaluated by the Board Chairman annually. The Company Secretaries who are members of good standing in their respective professional bodies, i.e. Malaysian Institute of Accountants ("MIA") and The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"), are required to meet the prescribed continuing professional education criteria of MIA and MAICSA respectively in order to be apprised of changing regulatory requirements.</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**

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>Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decision to be made on an informed basis and effective discharge of the Board's responsibilities. Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, as stated in the Board Charter and the respective Board Committees' terms of reference.</p> <p>All deliberations and decisions of the Board and Board Committees are recorded by the Company Secretaries, including disclosure of interest by any interested Directors and their abstention from voting and deliberating on particular transaction. Minutes of meetings are circulated and confirmed as a correct record by the Board and Board Committees at the next meeting.</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 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 is guided by its Board Charter which clearly sets out the Board's roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter, which is periodically reviewed by the Board to be in line with regulatory changes, was last reviewed and approved by the Board in February 2018.</p> <p>The updated version of the Board Charter is available on the Company's website at <a href="http://www.tanchonggroup.com">www.tanchonggroup.com</a>.</p> <p>The Board Charter provides guidance for Directors and Management regarding the roles and responsibilities of the Board, Chairman, Executive Directors, Non-Executive Directors, Company Secretaries and Board Committees.</p> <p>There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, approval of annual budgets, audited financial statements, quarterly and annual financial results for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance.</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 has developed a Directors' Code of Ethics, which essentially sets out the standards of conduct expected from all Directors, including managing conflict of interest, preventing the abuse of power, proper use of Company's assets, insider trading and compliance with laws, rules and regulations. The Directors' Code of Ethics is contained in Appendix A of the Board Charter, which is published on the Company's website at <a href="http://www.tanchonggroup.com">www.tanchonggroup.com</a>.</p> <p>To inculcate good ethical conduct, the Group has also established a Code of Conduct for Employees which has been communicated to all levels of employees in the Group, including Executive Directors.</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 3.2**

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 Board has formalised a Special Complaints Policy, which is equivalent to a whistle-blowing policy, with the aim to provide an avenue for employees of the Group to raise concerns relating to possible breaches of business conduct, non-compliances of laws and regulatory requirements as well as other malpractices.</p> <p>Under the said policy, a hotline is made available for employees to report any alleged or suspected fraud, corruption or non-compliance with the Code of Conduct for Employees, governance documents and laws and regulations, directly to the Group Compliance Officer. An investigative functions team is tasked to commence investigation upon receiving mandate from the Group Compliance Officer. Investigative reports are tabled to the relevant committee for deliberation and decision on the next course of action to be taken, and significant cases are reported to the Audit Committee for further deliberation.</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 current Board consists of six (6) members, three (3) Executive Directors and three (3) Independent Non-Executive Directors. There is a fairly strong independent element on the Board, with Independent Non-Executive Directors constituting 50% of the Board composition. This enables the Management to benefit from their external, diverse and objective perspectives of issues that are brought before the Board.</p> <p>The independence of each Independent Non-Executive Director is reviewed by the Nominating and Remuneration Committee on an annual basis. All the three (3) Independent Non-Executive Directors satisfied the independence criteria as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and they are able to continue to demonstrate their independence judgement and objectivity in the Board’s decision-making process.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.2

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' Ng Mann Cheong has served as an Independent Non-Executive Director ("INED") for a cumulative term of more than 12 years while Mr. Siew Kah Toong will be serving as an INED of the Company for nine (9) years by 1 July 2019.</p> <p>Following an assessment and recommendation by the Nominating and Remuneration Committee ("NRC"), the Board was of the opinion that the independence of Dato' Ng Mann Cheong and Mr. Siew Kah Toong remains unimpaired and their judgement over business dealings of the Company is not influenced by the interest of other Directors or substantial shareholders.</p> <p>Accordingly, the Board recommended that Dato' Ng Mann Cheong and Mr. Siew Kah Toong who respectively has served as INED of the Company for a cumulative term of more than 12 years as at the end of the financial year under review and nine (9) years by 1 July 2019, be retained as INED subject to shareholders' approval at the forthcoming AGM of the Company.</p> <p>With the calibre, qualifications, experience and personal traits, particularly on integrity and objectivity possessed by Dato' Ng Mann Cheong and Mr. Siew Kah Toong, the Board believes that both Dato' Ng Mann Cheong and Mr. Siew Kah Toong are well positioned to discharge their duties and responsibilities as INEDs towards meeting the Company's needs for the ensuing year, and they can continue to perform their duties without being subjected to undue influence. Key justifications for retaining them as INEDs are disclosed in the Notice of AGM in the Company's Annual Report 2018.</p>

	<p>Practice 4.2 of the Malaysian Code on Corporate Governance (“MCCG”) states that if the Board continues to retain an INED after the 12<sup>th</sup> year, the Board should seek annual shareholders’ approval through a two-tier voting process.</p> <p>The Board is guided by a legal opinion obtained from its legal counsel that the two-tier voting outlined in the MCCG is not compatible with the provisions of Section 291 of the Companies Act 2016, as there is only one class of ordinary shares in the Company and the rights of the shareholders, including the right to vote, shall rank pari passu. This is irrespective of whether a shareholder is a “Large Shareholder” (as defined in the MCCG) or a shareholder other than such a “Large Shareholder”. A resolution which is passed by a majority of shareholders must be regarded as having been validly passed as a matter of law irrespective of whether a majority of both the “Large Shareholders” and other shareholders had voted in favour of such a resolution as required under the MCCG.</p> <p>Based on the legal opinion, the Board is of the view that the “two-tier voting process” is unworkable as a matter of law and that the only legally permissible way for shareholders of the Company to approve the continuance of Dato’ Ng Mann Cheong as an INED for the ensuing year is to pass an ordinary resolution to that effect.</p> <p>Accordingly, the Board will seek shareholders’ approval at the forthcoming AGM for the continuance of Dato’ Ng Mann Cheong and Mr. Siew Kah Toong as INEDs via the usual single-tier voting. This process allows shareholders to provide the relevant sounding to the Board on the INED who has served beyond the 12th year.</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>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p><b>Timeframe</b></p>	<p>: Choose an item.</p>

**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 Board recognises the importance of boardroom diversity, including industry experience, background, gender, and age to the effective functioning of the Board. While it is important to promote diversity, the appointments to the Board focus solely on merits of the candidate. The criteria for the recruitment process and annual assessment of Directors are contained in the Terms of Reference of the Nominating and Remuneration Committee (“NRC”) which were last revised in November 2017 and published on the Company’s website at <a href="http://www.tanchonggroup.com">www.tanchonggroup.com</a>.</p> <p>In making its recommendations, the NRC considers, among others, the following criteria/factors:</p> <ul style="list-style-type: none"> <li>(a) skills, knowledge, expertise and experience;</li> <li>(b) competency and performance;</li> <li>(c) character, professionalism and integrity;</li> <li>(d) number of directorships and other external obligations which may affect the Director’s commitment, including time commitment and value contribution;</li> <li>(e) any other business interests that may result in a conflict of interest; and</li> <li>(f) in the case of candidates for the position of Independent Non-Executive Directors (“INEDs”), the Committee also evaluates the candidates’ ability to discharge such responsibilities/ functions as are expected from INEDs.</li> </ul> <p>As for the appointment of Senior Management, the NRC focuses on their working experience, skills set, competencies, integrity, and commitment in the assessment of the identified Senior Management personnel before recommending them to the Board for approval.</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**

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised a Board Diversity Policy and such policy is contained in the Board Charter which is published on the Company's website at <a href="http://www.tanchonggroup.com">www.tanchonggroup.com</a>.</p> <p>The Company currently has six (6) members comprising five (5) male Directors and one (1) woman Director on the Board. This Board composition is in line with the target set in the Board Diversity Policy, i.e. the Board should comprise at least a woman Director at any time to address gender diversity.</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 4.6**

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 Board has stipulated specific terms of reference for the Nominating and Remuneration Committee (“NRC”), which cover, inter-alia, assessing and recommending to the Board the candidature of Directors, appointment of Directors to Board Committees and training programmes for the Directors. In the Board nomination and election of new Director, the NRC is tasked to conduct an evaluation and assessment of the candidate’s ability to discharge his/her duty effectively and efficiently, prior to making recommendation to the Board for its approval. The Board and NRC are guided by the following process and procedures for nomination of new candidates:</p> <div data-bbox="565 940 1365 1220" style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <pre> graph LR     A[Recommendation of prospective candidate by Board Members] --&gt; B[Evaluation by NRC]     B --&gt; C[Recommend for Board’s consideration and approval, if candidate is found suitable]     C --&gt; D[Board’s deliberation and decision]                     </pre> </div> <p>In identifying candidates for appointment as Directors, the Company does not solely rely on recommendations from existing Board members, Management or major shareholders. The Board also considers sourcing candidates via independent consultants or external organisations such as Malaysian Directors’ Academy (“MINDA”), Institute of Corporate Directors Malaysia and LeadWomen Sdn Bhd.</p>
<b>Explanation for departure</b>	:
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure</b>	:
<b>Timeframe</b>	:

**Intended Outcome**

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

**Practice 4.7**

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>	:	The Nominating and Remuneration Committee (“NRC”) is chaired by Dato’ Ng Mann Cheong, the Senior Independent Non-Executive Director of the Company. This is in line with the NRC Charter which specifies that the Senior Independent Non-Executive Director shall be the Chairman of the NRC.	
<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 Nominating and Remuneration Committee (“NRC”) is entrusted to review annually the required mix of skills and experience of Directors, succession plans and Board diversity, including gender, age and ethnicity diversity, training requirements for Directors and other qualities of the Board, including core-competencies which the Independent Non-Executive Directors (“INEDs”) should bring to the Board. The NRC is also tasked to assess annually the effectiveness of the Board as a whole, the Board Committees and contributions of each individual Director.</p> <p>On an annual basis, the assessment of the effectiveness of the Board as a whole, the effectiveness of each Board Committee and individual Directors and the independence of the Company’s INEDs are conducted and facilitated by the Company Secretaries based on the assessment framework developed by KPMG Management &amp; Risk Consulting Sdn Bhd and any updates as may be required from the Malaysian Code on Corporate Governance.</p> <p>Pursuant to its terms of reference, the NRC meets at least once a year or more frequently as deemed necessary by the NRC Chairman.</p> <p>On 22 January 2019, the NRC met to review and assess the effectiveness of the Board as a whole, the Board Committees and the performance of individual Directors as well as the independence of the INEDs in respect of the financial year ended 31 December 2018 based on a self and peer assessment approach.</p> <p>From the results of the assessment and based on the NRC’s recommendation, the Board was satisfied that the Board and Board Committees and individual Directors have the relevant skill sets and have effectively discharged their stewardship responsibilities to meet the needs of the Company. The Board has also recommended the re-election of the retiring Directors and the continuance of the INEDs who have served beyond nine (9) years as the Company’s INEDs for shareholders’ approval at the forthcoming Annual General Meeting to be held on 30 May 2019.</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 Nominating and Remuneration Committee ("NRC") is entrusted by the Board to review and recommend the policies and procedures on matters relating to the remuneration of the Board and Senior Management and making recommendations of the same to the Board for approval.</p> <p>Based on recommendation of the NRC, the Board has formalised the Policies and Procedures for the Remuneration of Directors and Senior Management ("Policy") on 27 February 2018. The said Policy is now made available on the Company's website at <a href="http://www.tanchonggroup.com">www.tanchonggroup.com</a>.</p> <p>The Company will seek shareholders' approval in respect of the payment of Directors' fee and any benefits payable to them annually at General Meetings.</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**

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 Nominating and Remuneration Committee, which comprises exclusively Independent Non-Executive Directors, has been tasked with expanded duties and responsibilities to assist the Board in implementing policies and procedures on matters relating to the remuneration of Board and Senior Management.</p> <p>The roles and responsibilities of NRC are governed by its terms of reference, which are available on the Company's website at <a href="http://www.tanchonggroup.com">www.tanchonggroup.com</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 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 for each of the Directors on a named basis received or to be received by Directors of the Company from the Group and Company for the financial year ended 31 December 2018 is set out in the table below:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Fees (RM)</th> <th>Salaries and Allowances (RM)</th> <th>Bonuses (RM)</th> <th>Benefits-in-kind (RM)</th> <th>Post-Employment Benefit (RM)</th> <th>Services Rendered (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td colspan="8"><b>Company:</b></td> </tr> <tr> <td colspan="8"><u>Executive Directors*</u></td> </tr> <tr> <td>Dato' Tan Heng Chew (President)</td> <td>-</td> <td>3,964,493</td> <td>2,304,285</td> <td>253,025</td> <td>1,458,675</td> <td>-</td> <td>7,980,478</td> </tr> <tr> <td>Dato' Khor Swee Wah @ Koh Bee Leng Ho Wai Ming</td> <td>-</td> <td>4,426,196</td> <td>1,912,570</td> <td>58,000</td> <td>-</td> <td>-</td> <td>6,396,766</td> </tr> <tr> <td></td> <td>-</td> <td>922,127</td> <td>384,220</td> <td>33,584</td> <td>13,714</td> <td>-</td> <td>1,353,645</td> </tr> <tr> <td colspan="8"><u>Non-Executive Directors</u></td> </tr> <tr> <td>Dato' Ng Mann Cheong</td> <td>120,000</td> <td>32,100</td> <td>-</td> <td>7,200</td> <td>-</td> <td>96,071</td> <td>255,371</td> </tr> <tr> <td>Siew Kah Toong</td> <td>120,000</td> <td>33,300</td> <td>-</td> <td>7,200</td> <td>-</td> <td>-</td> <td>160,500</td> </tr> <tr> <td>Lee Min On</td> <td>120,000</td> <td>33,300</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>153,300</td> </tr> <tr> <td colspan="8"><b>Group:</b></td> </tr> <tr> <td colspan="8"><u>Executive Directors*</u></td> </tr> <tr> <td>Dato' Tan Heng Chew (President)</td> <td>-</td> <td>7,914,718</td> <td>4,608,580</td> <td>253,025</td> <td>2,917,350</td> <td>-</td> <td>15,693,673</td> </tr> <tr> <td>Dato' Khor Swee Wah @ Koh Bee Leng Ho Wai Ming</td> <td>-</td> <td>4,563,986</td> <td>1,912,570</td> <td>58,000</td> <td>-</td> <td>-</td> <td>6,534,556</td> </tr> <tr> <td></td> <td>-</td> <td>922,127</td> <td>384,220</td> <td>33,584</td> <td>13,714</td> <td>-</td> <td>1,353,645</td> </tr> <tr> <td colspan="8"><u>Non-Executive Directors</u></td> </tr> <tr> <td>Dato' Ng Mann Cheong</td> <td>120,000</td> <td>33,300</td> <td>-</td> <td>7,200</td> <td>-</td> <td>96,071</td> <td>256,571</td> </tr> <tr> <td>Siew Kah Toong</td> <td>120,000</td> <td>34,800</td> <td>-</td> <td>7,200</td> <td>-</td> <td>-</td> <td>162,000</td> </tr> <tr> <td>Lee Min On</td> <td>120,000</td> <td>33,300</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>153,300</td> </tr> </tbody> </table> <p>* The remuneration received or to be received by the Executive Directors were in respect of their employment with the Company/Group. # This amount was in respect of remuneration for services rendered by Dato' Ng Mann Cheong and/or his legal firm.</p>							Category	Fees (RM)	Salaries and Allowances (RM)	Bonuses (RM)	Benefits-in-kind (RM)	Post-Employment Benefit (RM)	Services Rendered (RM)	Total (RM)	<b>Company:</b>								<u>Executive Directors*</u>								Dato' Tan Heng Chew (President)	-	3,964,493	2,304,285	253,025	1,458,675	-	7,980,478	Dato' Khor Swee Wah @ Koh Bee Leng Ho Wai Ming	-	4,426,196	1,912,570	58,000	-	-	6,396,766		-	922,127	384,220	33,584	13,714	-	1,353,645	<u>Non-Executive Directors</u>								Dato' Ng Mann Cheong	120,000	32,100	-	7,200	-	96,071	255,371	Siew Kah Toong	120,000	33,300	-	7,200	-	-	160,500	Lee Min On	120,000	33,300	-	-	-	-	153,300	<b>Group:</b>								<u>Executive Directors*</u>								Dato' Tan Heng Chew (President)	-	7,914,718	4,608,580	253,025	2,917,350	-	15,693,673	Dato' Khor Swee Wah @ Koh Bee Leng Ho Wai Ming	-	4,563,986	1,912,570	58,000	-	-	6,534,556		-	922,127	384,220	33,584	13,714	-	1,353,645	<u>Non-Executive Directors</u>								Dato' Ng Mann Cheong	120,000	33,300	-	7,200	-	96,071	256,571	Siew Kah Toong	120,000	34,800	-	7,200	-	-	162,000	Lee Min On	120,000	33,300	-	-	-	-	153,300
Category	Fees (RM)	Salaries and Allowances (RM)	Bonuses (RM)	Benefits-in-kind (RM)	Post-Employment Benefit (RM)	Services Rendered (RM)	Total (RM)																																																																																																																																																								
<b>Company:</b>																																																																																																																																																															
<u>Executive Directors*</u>																																																																																																																																																															
Dato' Tan Heng Chew (President)	-	3,964,493	2,304,285	253,025	1,458,675	-	7,980,478																																																																																																																																																								
Dato' Khor Swee Wah @ Koh Bee Leng Ho Wai Ming	-	4,426,196	1,912,570	58,000	-	-	6,396,766																																																																																																																																																								
	-	922,127	384,220	33,584	13,714	-	1,353,645																																																																																																																																																								
<u>Non-Executive Directors</u>																																																																																																																																																															
Dato' Ng Mann Cheong	120,000	32,100	-	7,200	-	96,071	255,371																																																																																																																																																								
Siew Kah Toong	120,000	33,300	-	7,200	-	-	160,500																																																																																																																																																								
Lee Min On	120,000	33,300	-	-	-	-	153,300																																																																																																																																																								
<b>Group:</b>																																																																																																																																																															
<u>Executive Directors*</u>																																																																																																																																																															
Dato' Tan Heng Chew (President)	-	7,914,718	4,608,580	253,025	2,917,350	-	15,693,673																																																																																																																																																								
Dato' Khor Swee Wah @ Koh Bee Leng Ho Wai Ming	-	4,563,986	1,912,570	58,000	-	-	6,534,556																																																																																																																																																								
	-	922,127	384,220	33,584	13,714	-	1,353,645																																																																																																																																																								
<u>Non-Executive Directors</u>																																																																																																																																																															
Dato' Ng Mann Cheong	120,000	33,300	-	7,200	-	96,071	256,571																																																																																																																																																								
Siew Kah Toong	120,000	34,800	-	7,200	-	-	162,000																																																																																																																																																								
Lee Min On	120,000	33,300	-	-	-	-	153,300																																																																																																																																																								

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

### Intended Outcome

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

### Practice 7.2

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>	:	The Board is of the view that the disclosure of Senior Management's remuneration on a named basis with various remuneration components is not in the best interest of the Group, as it gives rise to recruitment and talent retention issues and may lead to those key senior management personnel being poached by competitors, resulting in the Group losing high calibre personnel who have been contributing to the Group's performance.
<b>Explanation for departure</b>	:	<p>The Company, as an alternative, opted to disclose the names of the key senior management of the Company and aggregate remuneration of the key senior management on a group basis. The key senior management of the Company comprises the Chief Financial Officer and the heads of major subsidiaries, who have the authority and responsibility for planning, directing and controlling business operations of the Group's core business and major subsidiaries' business activities.</p> <p>The Board is of the view that this disclosure provides an alternative means for stakeholders to assess whether the key senior management personnel of the Group are remunerated fairly and appropriately, taking into account the Group's performance for the financial year, in line with the Intended Outcome of Practice 7.2.</p> <p>The key senior management (excluding Executive Directors) of the Company are Mr. Nicholas Tan Chye Seng, Mr. Christopher Tan Kok Leong, Mr. Wong King Yoon, Mr. Teong Seng Kiang, Mr. Yao Tsu-Wei and Mr. Lee Jiunn Shyan, the designations and profiles of whom are disclosed in the Company's Annual Report 2018. The aggregate remuneration (inclusive of salaries and other benefits-in-kind) of these key senior management for 2018, on a Group basis, amounted to RM5,534,417.</p> <p>The Board has in 2018 formalised the remuneration policies and procedures to ensure that the remuneration of the senior management personnel is appropriately commensurate with their roles and responsibilities, level of skills, experience and performance in order to attract, retain and motivate them to contribute positively towards the Group's performance.</p>

	<p>The performance of senior management is evaluated on an annual basis and measured against the targets set for the year. The remuneration packages are reviewed annually, and adjustments to their remuneration are made based not only on their individual performances and contributions, but also on the overall Group's performance.</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**

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>	:	The Audit Committee consists of three (3) members, all of whom are Independent Non-Executive Directors.  The Chairman of the Audit Committee is Mr. Siew Kah Toong, who is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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 Committee Charter (Terms of Reference) had been revised and adopted by the Board on 27 February 2018 to include the observation of a cooling-off period of at least two (2) years before a former key audit partner can be appointed as a member of the Audit Committee.</p> <p>The said Charter is contained in the Board Charter which is publicly available on the Company's website at <a href="http://www.tanchonggroup.com">www.tanchonggroup.com</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**

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 Committee reviews and assesses the suitability and independence of the external auditors of the Company on an annual basis. The annual review and assessment are carried out via an assessment questionnaire. The areas for assessment of the external auditors cover, inter-alia, their technical competencies, independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the external auditors. Pertinent feedback from the Chief Financial Officer was obtained by the Audit Committee to augment its assessment of the external auditors.</p> <p>The Audit Committee had on 22 February 2019 assessed the performance of the external auditors, KPMG PLT based on the above criteria and was satisfied with their performance, technical competence and audit independence. The Audit Committee also received assurance from the external auditors confirming that they are and have been independent throughout the conduct of the audit engagement with the Company in accordance with the By-Laws of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants ("IESBA") of the International Federation of Accountants on ethics and professional independence, in respect of the financial year 2018.</p> <p>Based on the Audit Committee's recommendation, the Board recommended the re-appointment of the external auditors, KPMG PLT, for approval by shareholders at the Company's Annual General Meeting to be held on 30 May 2019.</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 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 Committee comprises the following members, all of whom are Independent Non-Executives Directors ("INEDs"):</p> <p><u>Chairman</u> Mr. Siew Kah Toong</p> <p><u>Members</u> Dato' Ng Mann Cheong Mr. Lee Min On</p> <p>All the INEDs satisfied the independence criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p>

**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>All the Audit Committee members are financially literate and carried out their duties in accordance with the Committee's terms of reference approved by the Board. The qualification and experience of the individual Audit Committee Members are disclosed in the profile of Directors in the Annual Report.</p> <p>All members of the Audit Committee have attended the relevant continuous professional development programmes to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of the training programmes attended by the Audit Committee members are set out in the Corporate Governance Overview Statement of the Company's Annual Report 2018.</p> <p>Besides, there were also briefings by the external auditors and Chief Financial Officer on the relevant updates on financial reporting standards and regulatory requirements from time to time during the Audit Committee meetings.</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 acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard shareholders’ investments and the Group’s assets and for reviewing the adequacy and effectiveness of the risk management and internal control system. The Board, via its Board Risk Management and Sustainability Committee (“BRMSC”), periodically reviews the principal risks identified, evaluated and reported by Management, and sees that these risks are managed within the Group’s risk appetite and acceptable level of tolerance.</p> <p>The system of risk management and internal control of the Group, which covers all aspects of its business, is designed to safeguard the assets of the Group, ensure the maintenance of proper accounting records, and to provide reliable financial information for use within the Group and for publication. In view of the limitations inherent in any system, the Board is aware that the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group’s corporate objectives. Accordingly, the system can only provide reasonable, but not absolute, assurance against material misstatement, financial loss or fraud.</p> <p>The Board has received assurance in writing from the President and Chief Financial Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management policy and procedures adopted by the Group.</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

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>Risk management and internal controls are regarded as an integral part of the Group's overall management processes. Key elements of the Group's risk management and internal control structure are detailed in the Statement on Risk Management &amp; Internal Control included in the Company's Annual Report 2018.</p> <p>The Board Risk Management and Sustainability Committee ("BRMSC"), which comprises three (3) Independent Non-Executive Directors and an Executive Director as its members, is delegated by the Board to oversee the implementation of the Group's risk management framework, review risk management policies which set out the risk governance, risk management processes and control responsibilities formulated by the Management, and make relevant recommendations to the Board for approval. The Chairman of the Risk Management and Sustainability Committee ("RMSC") and the Heads of Group Risk Management, Group Internal Audit and major business units attend BRMSC meetings as invitees.</p> <p>The RMSC, which comprises heads of major business units of the Group as its members, assists the BRMSC in risk management activities of the Group. This process enables Management to identify, evaluate, control, report and monitor principal business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks, for onward dissemination to the Board. Individual business risks as identified are scored for their likelihood of occurrence and the impact thereof based on a '4 by 4' risk map, deploying parameters established for each key business unit in the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the extent of risk the Group is prepared to take or seek in achieving its corporate objectives. The metrics used in quantifying the risks are based on risk parameters considered appropriate to reflect the risk appetite of the Group.</p> <p>To protect and enhance shareholders' value, Group Risk Management works with the Heads of Department to strengthen risk management</p>

	<p>initiatives within the Group for timely and effective response to changing business environment.</p> <p>A Fraud Prevention Policy, augmented by a Special Complaints Policy ("Policies"), has been adopted by the Group with the aim to provide broad principles, strategy and policy for the Group to adopt in preventing fraud and to promote high standards of integrity. The Policies define and highlight the roles and responsibilities at every level of the Group's organisational structure for preventing and reporting of fraud. This process serves as a platform for identification, evaluation and management of significant integrity and compliance risks affecting the business.</p> <p>The risk management and internal control system of the Group is further supported by formalised limits of authority for different management levels. Matters beyond the formalised limits of authority for Management are referred upward to the Board for approval. Group support functions such as Finance and Administration, Taxation, Treasury, Risk Management, Internal Audit, Secretarial, Legal, Human Resources, Insurance, Financial Services and Information System play a vital role in the overall risk management and internal control system of the Group. Various management committees have been established to manage and control the Group's businesses.</p> <p>The Group continues to maintain and review its risk management and internal control system to ensure, as far as possible, the protection of its assets and its shareholders' investments.</p> <p>Adequacy and effectiveness of the key risk management and internal control processes are also reviewed by the RMSC and BRMSC on a periodic basis.</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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has established a Board Risk Management and Sustainability Committee ("BRMSC") comprising the following members, a majority of whom are Independent Non-Executive Directors to oversee the implementation of the Group's risk management framework, reviews risk management policies which set out the risk governance, risk management processes and control responsibilities formulated by Management, and makes relevant recommendations to the Board for approval, notably:</p> <p><u>Chairman</u> Mr. Lee Min On (Independent Non-Executive Director)</p> <p><u>Members</u> Mr. Siew Kah Toong (Independent Non-Executive Director) Dato' Ng Mann Cheong (Independent Non-Executive Director) Dato' Tan Heng Chew (Executive Director)</p>

**Intended Outcome**

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

**Practice 10.1**

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 Group has in place an in-house internal audit department, which provides the Board, through the Audit Committee, with independent assurance on the adequacy and operating effectiveness of the Group’s system of internal control and risk management.</p> <p>The Group Internal Audit (“GIA”) Department, which is independent of the activities it audits, reports directly to the Audit Committee. Periodic testing of the effectiveness and efficiency of the internal control procedures and processes are conducted by GIA to ensure that the system is viable and robust.</p> <p>On a quarterly basis, the internal audit reports are presented and tabled at the Audit Committee meetings. Details of actual work carried out by the internal audit department, together with its scope of coverage, for the financial year under review are set out in the Audit Committee Report included in the Company’s Annual Report 2018.</p> <p>The Audit Committee assesses the effectiveness of the GIA and its resources on an annual basis.</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 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>None of the internal audit personnel has any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.</p> <p>The Group Internal Audit (“GIA”) Department currently consists of 10 personnel and is headed by Mr. Ng Weng Kay, a Deputy General Manager. He is a Chartered Member of the Institute of Internal Auditors of Malaysia.</p> <p>The internal audit function is independent of the activities it audits and carries out its work in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, enshrined in the Internal Audit Charter.</p> <p>The Head of GIA has provided a written confirmation to the Audit Committee that the internal audit is carried out objectively and is independent from the Management of the Group.</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 Board recognises the importance of being transparent and accountable to the Company's stakeholders. Communication and engagement with stakeholders are made through the quarterly announcements on financial results to Bursa Malaysia Securities Berhad ("Bursa Securities"), relevant announcements and circulars, when necessary, the Annual General Meetings, annual reports and company announcements. Such disclosures of information are released in a timely manner and in accordance with the Listing Requirements of Bursa Securities.</p> <p>The Company has in place Corporate Disclosure Policies and Procedures which provide guidance and reference for disclosure of material information in accordance with the Listing Requirements of Bursa Securities and to set out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and other stakeholders.</p> <p>At the last Annual General Meeting in May 2018, the President presented to the meeting the strategic business direction of the Group; while the Chief Financial Officer presented the Group's financial performance, some key initiatives, overview of market outlook and the Group's strategies and actions going forward. The Chairman of the meeting ensured the shareholders were given the opportunity to speak and obtain clarification from the Directors and Management of the Company. Stakeholders are encouraged to direct their inquiries or concern via electronic mail to <a href="mailto:tcmh@tanhonggroup.com">tcmh@tanhonggroup.com</a>.</p> <p>During the financial year under review, the Company also organised one (1) plant visit for the shareholders. The shareholders who have registered for the said visit, were given a plant tour to get to know the car assembly processes at the Group's assembly plant in Serendah, Selangor Darul Ehsan.</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 11.2**

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 Company does not fall under the category of "Large Companies" as defined in the Malaysian Code on Corporate Governance for the time being. Hence, such requirement is not applicable.	
		Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Notice of the 46 <sup>th</sup> Annual General Meeting (“AGM”) held on 24 May 2018 was sent to the shareholders 28 days before the AGM in line with the Malaysian Code on Corporate Governance. This notice period, which was more than the 21-day requirement under the Company’s Constitution, the Companies Act, 2016 and the Listing Requirements, provided additional time to shareholders to enable them to make the necessary arrangements to attend and participate in person or by corporate representatives or proxies, and consider the resolutions that were to be tabled and voted on at the last AGM.	
<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>	:	All Directors attended the Company's 46 <sup>th</sup> Annual General Meeting held on 24 May 2018.  The presence of Directors gave opportunities for the shareholders to engage with the Directors and make informed voting decisions at the meeting.	
<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 Annual General Meetings of the Company have always been held in Kuala Lumpur, i.e. the State where the Register Office is situated.</p> <p>The Company has 7,394 shareholders as at 29 March 2019, and the number of holders is not large to warrant the use of technology to facilitate remote shareholders or voting in absentia at this stage.</p> <p>The Company has adopted electronic voting at the previous Annual General Meetings to facilitate the voting process in a more efficient manner as well as ensuring transparency and accuracy of the voting results.</p> <p>Shareholders are allowed to appoint corporate representative(s) or proxy(ies) to attend, speak and vote on their behalf at the general meetings.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.*

Click here to enter text.