

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1481
COMPANY NAME : Advance Synergy Berhad
FINANCIAL YEAR : December 31, 2019

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to ensuring that it provides leadership to the business as a whole, having regards to the interests and views of its shareholders and other stakeholders. It is also responsible for setting the Group’s strategy, value and standards. The Board has a formal schedule of matters reserved for its decision as listed in Schedule 6 of the Board Charter which is available on the Company’s website at www.asb.com.my within a dedicated Corporate Governance section.</p> <p>The Board delegates specific powers to the Board Committees and delegates the Company’s governance and management function to Management through the Group Chair, Group Executive Deputy Chair and Group Managing Director. Day-to-day management of subsidiaries is headed by their respective Chief Executive Officers.</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 Group Chair provides leadership to the Board and the Group and ensures that the Board functions effectively, and is entrusted with the task of instilling good corporate governance practices.</p> <p>The roles and responsibilities of the Group Chair are provided under the Board Charter.</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 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The position of Group Chair, Group Executive Deputy Chair and the Group Managing Director are held by different individuals.</p> <p>There is a clear division of responsibility between the Group Chair, Group Executive Deputy Chair and Group Managing Director and there is a balance of power and authority.</p> <p>Their respective roles and responsibilities are set out in the Board Charter.</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 1.4

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 is supported by a qualified company secretary who is a member of The Malaysian Institute of Chartered Secretaries and Administrators. Her profile is set out on page 56 of the Annual Report 2019.</p> <p>The Company Secretary's responsibilities are set out in the Board Charter.</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 1.5

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>The meeting papers are collated and circulated to Directors by the Company Secretary prior to the meeting (if possible, at least 5 business days in advance).</p> <p>During Board meetings and Board Committees, management provides further details on each issue raised for discussion or as supplementary information.</p> <p>Upon conclusion of each meeting, the minutes are prepared and circulated to Directors for review/comments by the Company Secretary in a timely manner.</p> <p>Minutes of meetings are confirmed as a correct record by the Board and Board Committees at the following meeting.</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 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 sets out, among others, the respective roles and responsibilities of the Board, Board Committees, directors and management as well as the relationship between the Board and the management.</p> <p>The Board will review the Board Charter periodically and make any necessary or desirable amendments to ensure they remain consistent with the Board's objectives, current laws and best practices.</p> <p>The Board Charter was last reviewed by the Board on 21 May 2020.</p> <p>In addition, there is a schedule of matters reserved specifically for the Board's decision as listed in Schedule 6 of the Board Charter.</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	:	All the Directors, the management and staff are expected to conduct themselves with the highest ethical and professional standards at all times. A summary of the Code of Ethics and Conduct are set out in the Board Charter.	
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 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has on 28 April 2020 approved the Group Whistle-Blowing Policy and Procedures (“Group WB P&P”) which serves as a guideline to encourage and allow employees, shareholders and stakeholders to raise legitimate complaints and/or concerns in relation to criminal activity, breach of legal obligation including but not limited to negligence, breach of contract and contravention of Malaysian Anti-Corruption Commission Act 2009 (amended in 2018), the Malaysian Code on Corporate Governance, Bursa’s Listing Requirement and Companies Act 2016 and to be objectively investigated and addressed within the Group.</p> <p>The Group WB P&P are made available on the Company’s website at www.asb.com.my by referring to the ‘Corporate Governance’ section under the ‘Investors’ tab.</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	: Departure
Explanation on application of the practice	:
Explanation for departure	<p>The Board of Directors is made up of eight (8) members comprising the Group Chair, the Group Executive Deputy Chair, the Group Managing Director, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The composition of the Board meets the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements of Bursa Securities”) of at least two (2) Directors or one-third (1/3) of the total Board members, whichever is higher, to be independent. All the Directors are Malaysian.</p> <p>The current Directors bring a wide range of business and financial experience, skills and knowledge necessary for the effective stewardship of the Group. Profiles of the Directors are set out on pages 49 to 55 of the Annual Report.</p> <p>The presence of three (3) Independent Non-Executive Directors making up more than one-third (1/3) of the total number of Directors fulfils a pivotal role in ensuring that there is balance of power and authority. Although all the Directors have an equal responsibility under the Companies Act 2016, the role of these Independent Non-Executive Directors are particularly important in ensuring that the strategies proposed by the management are fully deliberated upon, and take into account the long term interests of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. Together, their representations on the Board fairly reflect the investment of the minority shareholders of the Company and in addition carry sufficient weight for decision making.</p> <p>Each of the Independent Non-Executive Directors is considered independent of management and free of any relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgement.</p>

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

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	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	<p>The Board, through the Nomination Committee, evaluates the independence of its independent directors annually in accordance with the criteria as prescribed by the Listing Requirements of Bursa Malaysia Securities Berhad and the Independent Directors are required to affirm their commitment to bring independent and objective judgement upon their appointments and annually thereafter.</p> <p>During the financial year ended 31 December 2019, the Board, through the Nomination Committee, has conducted such assessment on all the Independent Directors and each Independent Director has confirmed his/her independence to the Nomination Committee. Based on the said assessment, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company during deliberation at meetings of the Board and Committees.</p> <p>The Code stipulates that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to re-designation as a Non-Independent Director.</p> <p>That notwithstanding, the Nomination Committee is tasked to assess and assist the Board in recommending and providing justification for shareholders' consideration and approval in the event an Independent Director is to remain independent after serving a cumulative term of nine (9) years.</p> <p>The shareholders of the Company had at the 95th Annual General Meeting ("AGM") which was held on 28 June 2019 approved Mr Yong Teck Ming who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.</p>

	<p>On 21 May 2020, the Nomination Committee resolved that during Mr Yong Teck Ming's long service to the Company, his performance as an Independent Non-Executive Director was excellent and there is no reason to believe that he will not continue to act independently and to contribute to the Company taking into consideration the justifications set out on page 69 of the Annual Report.</p> <p>In view of the above and since Mr Yong Teck Ming has served more than twelve (12) years as an Independent Non-Executive Director of the Company from his appointment to the Board on 9 July 2007, the Nomination Committee recommended to the Board that a resolution for the retention of Mr Yong Teck Ming as an Independent Non-Executive Director of the Company be tabled for shareholders' approval to be obtained through a two-tier voting process at the forthcoming 96th AGM of the Company. The Board is unanimous in supporting this recommendation.</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 4.3- 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	:	The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. The independence of mind of the Independent Directors coupled with their skills, experience, professionalism, integrity including core competencies in exercising their objectivity and independent judgement in discharging their responsibilities in good faith in the best interest of the Company are more critical attributes in ascertaining the function and effectiveness of the Independent Directors than the number of years they have served on the Board.

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 Board recognises diversity in the boardroom as a critical element for efficient functioning of the Board and good governance practices. The Board also believes that diversity leads to the consideration of all facets of an issue and, consequently, better decisions and performance. Hence, the appointment of Board members and senior management not only takes into consideration the objective criteria and merit but also gives due regard for diversity in skills, experience, age, cultural background and gender.</p> <p>Profiles of the Directors are set out on pages 49 to 55 of the Annual Report.</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 4.5

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	:	Applied	
Explanation on application of the practice	:	<p>The Board has included gender balance as one of the main criteria for appointment of new directors to promote the representation of women in the composition of the Board.</p> <p>Currently, the Company has four (4) women directors representing 50% of the Board of eight (8) members.</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 4.6

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 is responsible for making recommendations on any nomination to the Board and to Committees of the Board. The Nomination Committee considers candidates for directorship proposed by the Executive Directors and, where practicable, by any other senior executive or any director or shareholder or any suitably qualified candidates from independent sources.</p> <p>The Nomination Committee may use a variety of approaches and sources to identify suitable candidates. This may include sourcing from a directors' registry and open advertisements or the use of the services of independent professional recruitment firms to source for the right candidate for directorship or seek independent professional advice at the Company's expense.</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>For financial year ended 31 December 2019, the Nomination Committee is chaired by Mr Rali Mohd Nor, an Independent Non-Executive Director.</p> <p>On 27 November 2019, the Board resolved that with effect from 1 January 2020, Ms Kam Kim Foong, an Independent Non-Executive Director, be appointed as the Chair of the Nomination Committee in place of Mr Rali Mohd Nor who will continue as a member of the Nomination Committee.</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 will assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Directors. The evaluation was conducted using the following forms/checklists:</p> <ol style="list-style-type: none"> 1. Board of Directors Competency Matrix to determine the knowledge, skills and experience of the current Board of Directors; 2. Self-Evaluation Form of Board and Board Committee Effectiveness/Performance to assess the performance of the Board of Directors and Board Committees; 3. Individual Director Assessment Checklist; and 4. Summary of the Outcome on Self-Evaluation of Board and Board Committee Effectiveness/Performance. <p>The results of the evaluation show that the good mix of age, gender, qualifications, skills, experience and core competencies for the current Board as well as the time commitment from the Board members have enabled the Board and Board Committees to function effectively and efficiently. The individual directors have also discharged their duties effectively.</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

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 Remuneration Committee is responsible for setting the remuneration policy for all directors including the executive directors and other senior executives in the Group. The Remuneration Committee ensures that the Directors are fairly remunerated or rewarded for the contributions or individual level of responsibilities. The Remuneration Committee believes strongly that total remuneration should take into account the competition for talent in an industry where successful people are rewarded and mobile. The Group compensates employees through both fixed and variable compensation.</p> <p>Additionally, the Remuneration Committee is responsible for determining the overall Remuneration Policy applied to the Group, including the quantum of variable remuneration and the method of delivery.</p> <p>The Remuneration Policy is set out in the Remuneration Committee Report on pages 81 to 83 of the Annual Report.</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 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	:	The terms of reference of the Remuneration Committee are set out under Schedule 1, Item C of the Board Charter.
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	:	The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments for the financial year ended 31 December 2019 are set out on pages 82 to 83 of the Annual Report.	
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	:	In view of the competitive nature of the human resource market, the remuneration of the top five (5) senior management which includes salary, bonus, benefits in-kind and other emoluments for the financial year ended 31 December 2019 was not disclosed on a named basis and the remuneration was disclosed in bands of RM50,000 on page 83 of the Annual Report.	
<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 7.3 - 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	:	The Chair of the Audit Committee, Mr Yong Teck Ming, is not the Chair of the Board. Mr Yong Teck Ming is an Independent Non-Executive Director 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

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 Committee has included in its terms of reference that a former key audit partner shall not be appointed as a member of the Audit Committee unless there is a cooling-off period of at least two (2) years before the appointment.	
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 Committee reserves oversight responsibility for monitoring the auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements.</p> <p>The Audit Committee is responsible to review and/or recommend, evaluate, assess and monitor on the suitability, objectivity and independence, nomination, appointment, replacement or re-appointment of the external auditors as well as matters pertaining to resignation or dismissal or change of the external auditors. Annually, the external auditor declares to the Audit Committee its independence throughout its audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The Audit Committee also reviews the terms, areas of responsibility and scope of the audit as set out in the external auditor's engagement letter; the overall work plan for the forthcoming year, together with the associated fee proposal and cost effectiveness of the audit; the external auditor's independence; any major issues which arise during the course of the audit and their resolution; key accounting and audit judgements; the level of errors identified during the audit; the recommendations made to management by the auditor and management's response; and the auditor's overall performance.</p> <p>The duties and functions of the Audit Committee are set out in its terms of reference which are available on the Company's website at www.asb.com.my under Schedule 1 of the Board Charter by referring to the 'Corporate Governance' sector under the 'Investors' tab.</p>
Explanation for departure	:	

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

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 Committee comprises solely of three (3) Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>Each member of the Audit Committee brings an appropriate balance of senior level financial and commercial experience combined with a good understanding of the Company's business and is therefore considered by the Board to be competent. The Audit Committee Chair is considered by the Board to have vast experience in accounting and a diverse range of business which will enable him to provide the Board with constructive opinion.</p> <p>The profiles of the Audit Committee members are provided in the Annual Report 2019 on pages 53 to 55.</p> <p>The training programmes that the Audit Committee members have attended during the financial year ended 31 December 2019 are disclosed in the Annual Report 2019 under Nomination Committee Report.</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

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 Group has in place an effective risk management and internal control framework to identify and assess the risks faced by the Group. This risk management framework includes risk assessment, response, communication and governance. The internal control system focuses on key financial reporting, operational and compliance controls. The system encompasses the policies, processes and activities that contribute to the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with laws and regulations.</p> <p>The Board acknowledges its overall responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders' investments, the Company's assets, and the need to review the adequacy and integrity of those systems regularly. In establishing and reviewing the system of internal control, the Directors recognise that the system of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss. The effectiveness of the Group's risk management and internal controls framework is reviewed periodically by the Risk Management Committee and Audit Committee.</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

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 acknowledges its overall responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders' investments, the Company's assets, and the need to review the adequacy and integrity of these systems regularly. The effectiveness of the Group's risk management and internal controls framework is reviewed periodically by the Risk Management Committee and Audit Committee respectively. The Risk Management and Internal Control Framework are found on pages 37 to 45 and 75 of the Annual Report.</p> <p>Further information relating to the process for identifying, evaluating and monitoring risks are set out under the Group Enterprise Risk Management Framework in Schedule 2 of the Board Charter.</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

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	:	Adopted
Explanation on adoption of the practice	:	The Risk Management Committee comprises three (3) Non-Executive Directors with a majority of independent directors. The terms of reference of the Risk Management Committee are set out in under Schedule 1 of the Board Charter.

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 internal audit function operates independently and reports to the Audit Committee. Each year improvements are implemented to the internal audit reviews including its objectives, scope and procedures to enhance effectiveness.</p> <p>The internal audit adopts a risk-based approach in developing its audit plan based on the Group's key risks profile. Internal audit plan and the scope of the internal audit are presented and approved by the Audit Committee on a yearly basis.</p> <p>The principal role of the internal audit function is to review the Group's operations, evaluating their efficiency, effectiveness and compliance with corporate policies, procedures, laws and regulations.</p> <p>All internal audit reports are presented to the Audit Committee.</p> <p>Details of the Internal Audit function are disclosed under the Risk Management and Audit Committee reports on pages 37 to 45 and pages 73 to 75 respectively of the Annual Report.</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 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 Group's internal audit function is performed by the Internal Auditors (outsourced professional internal audit company) who are free from any relationship or conflicts of interest. The Internal Audit team consists of 4 personnel as follows:</p> <ol style="list-style-type: none">1. Ms. Lui Wat Yen (Qualification – The Association of Chartered Certified Accountants (“ACCA”))2. Ms Lau Sin Yee (Qualification - ACCA and Certified Internal Auditor (“CIA”))3. Mr Yap Ping Hong (Qualification - ACCA)4. Ms Chong Yuet Lee (Qualification - Diploma in Accounting Technicians and Computer Science) <p>Internal Audit is carried out in accordance to International Standards for the Professional Practice of Internal Auditing.</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>For corporate reporting to our shareholders and stakeholders, our Board ensures that information is complete and accurate and are disseminated in a timely manner. The Company has established a dedicated section for investor on its website at www.asb.com.my. This section provides information relating to corporate governance, annual reports, announcements to Bursa Securities and Board Charter. Contact details are provided on the Company's website to address queries from its shareholders and stakeholders.</p> <p>The Board acknowledges the importance of establishing a direct line of communication with shareholders and investors through timely dissemination of information on the Group's performance and operations via distribution of annual reports and relevant circulars, and release of quarterly financial results, press releases and announcements.</p> <p>The AGM is the principal forum for dialogue with shareholders. There is an open 'question and answer' session in which shareholders may pose questions regarding the resolutions being proposed at the meeting and also on matters relating to the Group's businesses and affairs.</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	:	Not applicable.	
<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 12.1

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	:	The Notice of AGM to shareholders is dated 23 June 2020, which is more than 28 days' notice for holding the Company's forthcoming AGM on 23 July 2020.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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>The Board members are in attendance at general meetings to provide explanations to all shareholders' queries and shareholders are encouraged to participate in discussions and to give their views to the Directors.</p> <p>The Chair of the Audit, Nomination, Remuneration and Risk Management Committees are also in attendance to provide response to questions.</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 12.3

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>This is not applicable to the Company since the Company does not hold meetings in remote locations. The Company's AGMs have been held at its registered office at the Auditorium, Level 4, The Podium, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan. This venue is easily accessible and is familiar to most shareholders of the Company since several past AGMs were held at the same venue. Shareholders who are unable to attend general meetings personally, may appoint proxy(ies) to attend, participate, speak and vote on their behalf at the general meeting.</p> <p>In view of potential health risk and government restrictions in response to the COVID-19 pandemic and the Securities Commission's Guidance Note on the Conduct of General Meetings for Listed Issuers, our forthcoming AGM will be conducted fully virtual and entirely via remote participation and electronic voting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**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.