

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 1481  
**COMPANY NAME** : Advance Synergy Berhad  
**FINANCIAL YEAR** : December 31, 2017

## 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 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 <a href="http://www.asb.com.my">www.asb.com.my</a> within a dedicated Corporate Governance section.</p> <p>Beyond the matters reserved for the Board's decision, the Board delegates specific powers to the Board Committees, Group Chairman, Group Executive Deputy Chairman and Group Managing Director to implement the Board's decision and policies. Day-to-day management of subsidiaries is headed by their respective Chief Executive Officers.</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>The Group Chairman 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 Chairman are provided under the Board Charter.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The position of Group Chairman, Group Executive Deputy Chairman and the Group Managing Director are held by different individuals.</p> <p>There is a clear division of responsibility between the Group Chairman, Group Executive Deputy Chairman 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>
<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 1.4**

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>	:	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 51 of the Annual Report 2017.  The Company Secretary's responsibilities are set out in the Board Charter.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 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) to provide time for the Board members to read and deliberate the issues.</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, 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>
<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 Charter sets out, among others, the respective roles and responsibilities of the Board, Board Committees, individual executive directors and management as well as the relationship between the Board and its 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 28 February 2018.</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>
<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 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>	:	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.	
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	In the coming year, the Board intends to revisit the implementation of a whistleblowing policy. Although the Board believes that the current internal controls, work culture and the “open-door” concept adopted by the Group support a clear and open communication, breed healthy work cultures and encourage open flow of communication, the Board believes that a whistleblowing policy would strengthen the element of Internal Control System and Corporate Governance of the Group.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board of Directors comprises eight (8) members; the Group Chairman, the Group Executive Deputy Chairman, the Group Managing Director, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors which meets the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements of Bursa Securities”) of at least three (3) 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 43 to 50 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 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.*

<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>	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	<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 Securities 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 2017, the Board, through the Nomination Committee, has conducted such assessment on all the Independent Directors and each Independent Non-Executive Director has confirmed his 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 also 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 93rd AGM which was held on 24 May 2017 approved for 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 on 9 July 2017 to continue to act as an Independent Non-Executive Director of the Company.</p>

	<p>On 28 February 2018, the Nomination Committee met and concluded that during Mr Yong Teck Ming's long service to the Company, his performance as an Independent Non-Executive Director has been 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 63 of the Annual Report.</p> <p>In view of the above, 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 at the forthcoming 94th AGM of the Company. The Board is unanimous in supporting this recommendation.</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**

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>	:	<p>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.</p> <p>The Group benefits from long serving Directors, who possess detailed knowledge of the Group's business and have proven commitment, experience and competence to effectively advise and oversee management. The Board is also of the view that the fiduciary duties of Directors as promulgated in the Act are paramount for all Directors, irrespective of their status and therefore, tenure is not the main assessment criteria for independence of directors.</p>

**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 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 Nomination Committee in making recommendations for appointment of Board members and senior management, due consideration is not only given to the required mix of skills, knowledge, expertise experience, professionalism, integrity, competencies and time commitment but also gives due regard for other qualities, including diversity in gender, age, cultural background and ethnicity. The final decision as to who shall be appointed is the responsibility of the full Board after considering the Nomination Committee's recommendations.</p> <p>Profiles of the Directors are set out on pages 43 to 50 of the Annual Report.</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 4.5**

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 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 three (3) women directors representing more than 30% of the Board of eight (8) members.</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 4.6**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is responsible for making recommendations on any nomination for appointment of new directors 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>As provided under the terms of reference of the Nomination Committee, in carrying out its duties and responsibilities, 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>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination Committee is chaired by Dato' Ahmad Ghiti bin Mohd Daud, an Independent Non-Executive Director	
<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>In 2017, the Nomination Committee undertook annual assessment on 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"> <li>1. Board of Directors Competency Matrix to determine the knowledge, skills and experience of the current Board of Directors;</li> <li>2. Self-Evaluation Form of Board and Board Committee Effectiveness/Performance to assess the performance of the Board of Directors and Board Committees;</li> <li>3. Summary of the Outcome on Self-Evaluation of Board and Board Committee Effectiveness/Performance; and</li> <li>4. Individual Director Assessment Checklist.</li> </ol> <p>Thereafter, the results of the evaluation and recommendations were tabled to the Board.</p> <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>
<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 6.1**

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 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 so as to ensure that the Company attracts and retains the right calibre of Directors needed for the successful performance of the Group.</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 76 to 79 of the Annual Report.</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>	:	The terms of reference of the Remuneration Committee are set out under Schedule 1 of the Board Charter.	
<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>	:	The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments for the financial year ended 31 December 2017 are set out on pages 77 to 78 of the Annual Report.	
<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>	:		
<b>Explanation for departure</b>	:	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 2017 was not disclosed on a named basis and the remuneration was disclosed in bands of RM50,000 on page 79 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>			
<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 7.3 - 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 Chairman of the Audit Committee, Mr Yong Teck Ming, is not the Chairman of the Board. Mr Yong Teck Ming is an Independent Non-Executive Director of the Company.	
<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>	:	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.	
<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 is responsible for the development, implementation and monitoring of the Company's policy on external audit. 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 also responsible for the re-tendering selection process and recommends the appointment, reappointment and removal of the Company's external auditor, and considers the risks associated with the change of the external auditors in its risk evaluation and planning.</p> <p>The Audit Committee also reviews and sets 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 auditors' 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 <a href="http://www.asb.com.my">www.asb.com.my</a> under Schedule 1 of the Board Charter.</p> <p>Annually, the external auditors declares to the Audit Committee their independence throughout their audit engagement in accordance with the terms of all relevant professional and 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**

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>	:	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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Each member of the Audit Committee brings an appropriate balance of senior level financial and commercial experience, combines with a good understanding of the Company's business and is therefore considered by the Board to be competent. The Audit Committee Chairman is considered by the Board to have significant, recent and relevant financial experience and to be competent in auditing and accounting.</p> <p>The profiles of the Audit Committee members are provided in the Annual Report 2017 on pages 46 to 49.</p> <p>The training programmes that the Audit Committee members have attended during the financial year ended 31 December 2017 are disclosed in the Annual Report 2017 under Nomination Committee Report.</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 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 respectively and such review includes amongst others the financial, operational, environment and compliance controls and risk management.</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>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 Audit Committee reports are found on pages 32 to 40 and pages 67 to 70 respectively 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>
<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 9.3 - 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>	:	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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function has operated independently reporting 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 32 to 40 and pages 67 to 70 respectively of the Annual Report.</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 have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 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 consist of 4 personnel as follows:</p> <ol style="list-style-type: none"><li>1. Ms Lau Sin Yee (Qualification - The Association of Chartered Certified Accountants ("ACCA"))</li><li>2. Mr Yap Ping Hong (Qualification - ACCA)</li><li>3. Mr Henry Yap Kok Seong (Qualification - Master in Management)</li><li>4. Ms Chong Yuet Lee (Qualification - Diploma in Accounting Technicians and Computer Science)</li></ol> <p>Internal Audit is carried out in accordance to International Standards for the Professional Practice of Internal Auditing.</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>Through the individual businesses and at a Company level, we consider social and environmental factors, manage relationships with shareholders and communicate with shareholders through a variety of channels. These include the annual general meeting ("AGM"), annual and interim reporting and announcements through a regulatory news service for matters relating to trading and the development of the business, all of which are available on our website at <a href="http://www.asb.com.my">www.asb.com.my</a>.</p> <p>For corporate reporting to our shareholders and stakeholders, our Board ensures that information is complete and accurate and is disseminated in a timely manner. The Company has established a dedicated section for investor on its website. 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>
<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>	:	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 AGM to shareholders is dated 30 April 2018, which is more than 28 days' notice for holding the Company's forthcoming AGM on 7 June 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>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>	
<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>	:	This is not applicable to the Company since the Company do 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 was easily accessible and it was familiar to most shareholders of the Company since several past AGMs were held at the same venue.
<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.*

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