

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Tambun Indah Land Berhad (“the Company”) acknowledges the importance of maintaining good corporate governance in the Group and is committed to the principles of good corporate governance which are consistent with prudent management to deliver long term sustainable value to shareholders and other stakeholders.

In order to ensure that the best interests of shareholders and other stakeholders are effectively served, the Board continues its active role in monitoring governance practices within the Group. The ensuing statement provides the shareholders and other stakeholders an overview of the corporate governance practices of the Company during the financial year ended 31 December 2018 (“FY2018”) and it is to be read together with the Corporate Governance Report 2018 which is available at the Company’s website ([www.tambunindah.com](http://www.tambunindah.com))

This statement is prepared in accordance with the Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Malaysian Code of Corporate Governance (“MCCG”) issued by the Securities Commission Malaysia.

In FY2018, the Company had applied the following key principles of good corporate governance in the MCCG:

- Board leadership and effectiveness
- Effective audit and risk management
- Integrity in corporate reporting and meaningful relationship with stakeholders.

The Company had also adopted 29 out of the total 32 recommended practices in the MCCG. The recommended practices not adopted were as follows:

- Practice 4.1 – At least half of the Board comprises independent directors
- 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.
- Practice 12.3 – Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate voting, including voting in absentia; and remote shareholders’ participation at General Meetings.

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

#### Clear Roles and Responsibilities

The Group is led and controlled by an effective Board. The Board provides entrepreneurial leadership as well as overseeing the overall performance objectives and long term success and sustainability of the Group.

The Board also promotes good corporate governance through sustainability practices. The Group’s sustainability strategy encompasses the community, workplace, market place and the environment. Further details are set out in the Sustainability Statement section of this Annual Report.

The chairman of the Board is an independent director with no executive function. His key responsibilities include leading the Board in establishing and monitoring good corporate governance practices, ensuring effectiveness of the Board, and ensuring effective communications with shareholders and other stakeholders.

The Board, in discharging its leadership role essentially covers the functions of promoting good corporate governance culture, approval of strategic plan and monitoring its implementation, overseeing the conduct of the Group’s business, succession planning, ensuring a sound internal control and risk management, shareholders and investors relations as well as compliances of relevant applicable laws and regulations.

The Board delegates authority and vests accountability with the Group Managing Director in the day-to-day management of the business and operations of the Group. The Group Managing Director is supported by the Executive Directors and a team of senior management selected based upon the criteria of recognized skills, experience and capabilities in their specific field of expertise and whose knowledge and abilities support the delivery of the performance objectives and growth of the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. BOARD RESPONSIBILITIES (cont'd)

#### Clear Roles and Responsibilities (cont'd)

The senior management team comprises Chief Financial Officer, Senior General Manager and Deputy General Manager. The profiles of the directors and senior management are set out in the Directors' Profile and Senior Managements' Profile sections of this Annual Report.

Various Management Committees or Working Groups under the Group Managing Director are set up as and when necessary.

The Board also delegates certain areas of responsibilities to the Board Committees, each with predefined terms of reference and responsibilities which are clearly set out in the Company's Board Charter.

The Chairman of the respective Board Committees shall report the outcome of the Committee meetings to the Board and relevant decisions are incorporated in the minutes of the Board meetings. Where the Board Committees have no authority to make decisions on matters reserved for the Board, recommendations would be tabled to the Board for its approval.

The Board Committees as at 31 December 2018 were as follows:

#### 1) Audit Committee

The Board had set up an Audit Committee comprising wholly independent directors.

During the FY2018, the Audit Committee met 5 times and the members' attendance was as follows:

| Members of Audit Committee                | No. of meetings attended | Percentage of attendance |
|---|--------------------------|--------------------------|
| Lai Fook Hoy                              | 5/5                      | 100%                     |
| Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali | 4/5                      | 80%                      |
| Lam Voon Kean (appointed on 01.06.2018)   | 2/2                      | 100%                     |
| Yeoh Chong Keat (resigned on 12.03.2018)  | 0/1                      | -                        |

A full report of the Company's Audit Committee for FY2018 is set out in the Audit Committee Report section of this Annual Report.

#### 2) Nominating Committee

The Board had set up a Nominating Committee comprising wholly non-executive directors, a majority of whom was independent.

During FY2018, the Nominating Committee had carried out their duties as summarized below:-

- Assessed the composition and effectiveness of the Board and the Board Committees;
- Assessed the contribution and competencies of each individual director;
- Assessed the directors due for retirement at the Company's 10th Annual General Meeting ("AGM")
- Assessed the independence and time commitment of the independent non-executive directors;
- Assessed the effectiveness and objectivity of the Audit Committee and each of its members;
- Assessed the trainings attended by the directors and the trainings required;
- Assessed the boardroom diversity;
- Assessed the candidate for appointment as independent director;
- Assessed the senior management of the Company;
- Assessed the external company secretaries; and
- Established and recommended a framework for the assessment of the performance of executive directors and senior management.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. BOARD RESPONSIBILITIES (cont'd)

#### Clear Roles and Responsibilities (cont'd)

#### 2) Nominating Committee (cont'd)

The members' attendance for FY2018 was as follows:

| Members of Nominating Committee           | No. of meetings attended | Percentage of attendance |
|---|--------------------------|--------------------------|
| Lai Fook Hoy                              | 2/2                      | 100%                     |
| Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali | 2/2                      | 100%                     |
| Tsai Chia Ling                            | 1/2                      | 50%                      |
| Yeoh Chong Keat (resigned on 12.03.2018)  | 0/1                      | -                        |
| Lam Voon Kean (appointed on 01.06.2018)   | 0/0                      | -                        |

#### 3) Remuneration Committee

The Board had set up a Remuneration Committee comprising wholly non-executive directors, a majority of whom were independent directors.

During FY2018, the Remuneration Committee met twice to review and recommend the remuneration package of the executive directors and senior management as well as the directors' benefits, incentives and fees.

The members' attendance for FY2018 was as follows:

| Members of Remuneration Committee         | No. of meetings attended | Percentage of attendance |
|---|--------------------------|--------------------------|
| Lai Fook Hoy                              | 2/2                      | 100%                     |
| Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali | 1/2                      | 50%                      |
| Lam Voon Kean                             | 2/2                      | 100%                     |
| Teh Kiak Seng (resigned on 01.03.2018)    | 0/0                      | -                        |
| Yeoh Chong Keat (resigned on 12.03.2018)  | 0/0                      | -                        |

#### 4) Risk Management Committee

The Board had set up a Risk Management Committee comprising wholly executive directors and senior management.

During FY2018, the Risk Management Committee met once to review and discuss the risks profile, risk controls and mitigation policies to ensure their relevance in the Group's business environment and also to review the identified risks affecting the Group were being addressed, managed and mitigated on an ongoing basis.

The members' attendance for FY2018 was as follows:

| Members of Risk Management Committee     | No. of meetings attended | Percentage of attendance |
|--|--------------------------|--------------------------|
| Teh Kiak Seng                            | 1/1                      | 100%                     |
| Teh Theng Theng                          | 1/1                      | 100%                     |
| Teh Deng Wei                             | 1/1                      | 100%                     |
| Lim Beng Hoe                             | 1/1                      | 100%                     |
| Neoh Sze Tsin                            | 1/1                      | 100%                     |
| Roselyn Tan                              | 1/1                      | 100%                     |
| Thaw Yeng Cheong (retired on 12.11.2018) | 0/1                      | -                        |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. BOARD RESPONSIBILITIES (cont'd)

#### Clear Roles and Responsibilities (cont'd)

#### 5) ESOS Committee

The Board had set up an ESOS Committee comprising wholly executive directors and senior management.

During FY2018, the ESOS Committee met once to grant options to eligible employees pursuant to the ESOS By-Laws.

The members' attendance for FY2018 was as follows:

| Members of ESOS Committee | No. of meetings attended | Percentage of attendance |
|---------------------------|--------------------------|--------------------------|
| Teh Kiak Seng             | 1/1                      | 100%                     |
| Teh Theng Theng           | 1/1                      | 100%                     |
| Teh Deng Wei              | 1/1                      | 100%                     |
| Neoh Sze Tsin             | 1/1                      | 100%                     |
| Roselyn Tan               | 1/1                      | 100%                     |

Other key duties of the Board are, but not limited to approving a schedule of matters specifically reserved for its approval or upon recommendations as may be made from time to time by the Board Committees. These include:

- material acquisitions and disposals of fixed assets of the Group;
- new investment, divestment, corporate restructuring and/or establishment of joint ventures;
- related party transactions and conflict of interest issues;
- annual financial statements and quarterly financial results;
- declaration of dividends;
- appointment of directors; and
- terms of reference of Board Committees and changes in the composition of the Board Committees established from time to time.

The Board believes the governance structure depicted below outlines the relevant or applicable authorities, duties and responsibilities in fostering the good corporate governance practices and also serves as a control to mitigate or minimize any abuse of authority.

#### BOARD OF DIRECTORS

#### BOARD COMMITTEES

- Audit Committee
- Nominating Committee
- Remuneration Committee
- Risk Management Committee
- ESOS Committee

#### GROUP MANAGING DIRECTOR

- Executive Directors
- Senior Management
- Management Committee or Working Group

The above governance structure is governed by a defined organisational chart, terms of reference, framework, policies and the manual on Limits of Authorities (LOA) approved by the Board. The LOA sets out clear authority limits pertaining to the operations of the Group through segregation of duties.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. BOARD RESPONSIBILITIES (cont'd)

#### Clear Roles and Responsibilities (cont'd)

The Board policies which serve as a guide to strengthen the governance and internal control of the Company are as follows:-

- Board Charter;
- Whistle Blowing Policy; and
- Code of Conducts and Ethics

The above policies are reviewed annually by the Board, or as and when required. The last review was on 12 April 2019. Copies of the above policies are available on Company's website ([www.tambunindah.com](http://www.tambunindah.com)).

#### Access to Information or Advice

The directors have full and unrestricted access to all information of the Group. Such information is not only quantitative, but also includes other information which is deemed necessary for them to make an informed decision.

The directors also have unrestricted access to the advice and services of the Company Secretary and to obtain further information, which they may require in discharging their duties such as seeking independent professional advice, if necessary, at the Company's expense but subject to prior approval by the Board.

Board papers for meeting are circulated on a timely basis, at least 7 days before the meeting to enable the directors to have sufficient time to review the papers prepared and to participate actively in the meeting. Senior Management may be invited to Board meetings to provide insight into matters being discussed and to furnish clarification on issues that may be raised by the Board.

The proceedings of meetings are duly recorded in the minutes and that the said minutes are kept at the registered office of the Company and are accessible by the directors during office working hours.

#### Company Secretaries

The Board is supported by 2 qualified Company Secretaries. Both Company Secretaries have tertiary education and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016.

The Company Secretaries provide guidance to the Board on matters relating to the company law, rules and regulations of the regulatory authorities as well as best practices on governance. The Board has unrestricted access to the advice and services of the Company Secretaries.

The Company Secretaries record, prepare and circulate the minutes of meetings of the Board, and Board Committees and ensure such minutes are properly kept at the registered office of the Company and produced for inspection, if required. They are also responsible for the proper maintenance of secretarial records, preparation of resolutions and other secretarial functions of the Company.

During the FY2018, the Company Secretaries had attended various seminars and conferences to keep themselves abreast with the regulatory changes and other areas namely sustainability, governance, finance, tax and new accounting standards.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. BOARD COMPOSITION

#### Board Independence

As at 31 December 2018, members of the Board comprised 3 independent directors, 1 non-independent non-executive director and 3 executive directors, which was equivalent to 43% of independent directors representation in the Company's boardroom.

The Company did not adopt the recommended practice 4.1 of MCCG which required at least 50% of the Board being independent directors. However, the number of independent directors of the Company complied with the Main LR of Bursa Securities where at least 2 directors or 1/3 of the Board members, whichever was higher were independent directors.

In the event of any vacancy in the Board, resulting in non-compliance with the total number of independent directors, the Company will ensure that the vacancy is filled within 3 months. If the number of directors is not 3 or a multiple of 3, then the number nearest to 1/3 will be used to determine the number of independent directors of the Company.

The Board in its effort to strengthen composition and balance in the Company's boardroom, operates in the manner that ensures its directors exercise independent judgement and the interests of the shareholders are always in the forefront when important decisions are made by the Board.

Even though the Board has representatives of the substantial shareholders, the presence of the independent directors ensures that there is no undue influence or domination in the decision making process of the Board. The independent directors play an important role in the Board's responsibilities, being actively involved in the various Board committees, and contribute to performance monitoring and corporate governance by providing independent assessment and opinion.

The presence of 43% independent directors in the Company's boardroom sufficiently represented a strong independent element for effective check and balance on the functioning of the Board. Additionally, the Board being helmed by an independent non-executive Chairman and the main Board Committees namely the Audit Committee, Nominating Committee and Remuneration Committee comprised mainly of independent directors are essential indicators of independence.

As at 31 December 2018, the composition and diversity of the Board was as follows:

| Gender Diversity |    | Ethnicity Diversity |    | Age Diversity  |    | Tenure of Directorships |    |
|------------------|----|---------------------|----|----------------|----|-------------------------|----|
|                  | %  |                     | %  |                | %  |                         | %  |
| Male             | 57 | Malay               | 14 | Below 35 years | 14 | Below 5 years           | 29 |
| Female           | 43 | Chinese             | 86 | 36 - 55 years  | 29 | 5 - 9 years             | 57 |
|                  |    |                     |    | 56 - 70 years  | 57 | 10 -12 years            | 14 |

#### Gender Diversity

The Board embraces gender diversity as essential to strengthen the composition of the Board. In this respect, the Board has established a guideline within its Board Charter to have at least one female representation on the Board.

As at 31 December 2018, the Board comprised 3 female directors, which was equivalent to 43% female representation in the Company's boardroom.

#### Ethnicity Diversity

The Board does not set any target on ethnicity diversity but the Board believes diverse cultures in the boardroom would offer better insights in deliberation and decision making of the Board.

As at 31 December 2018, the Board comprised one Malay director, which was equivalent to 14% ethnicity diversity in the Company's boardroom.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. BOARD COMPOSITION (cont'd)

#### Age Diversity

The Board believes that the directors with diverse age profile would provide different perspectives and ideas to strengthen the composition of the Board.

As at 31 December 2018, the age profile of the directors ranged from below 35 to 70 years of age.

#### Tenure of Directorships

Practice 4.2 of the MCCG stipulates that the tenure of an independent director of the Company should not exceed a cumulative term of 9 years. As such, upon completion of the 9 years, an independent director may continue to serve on the Board as non-independent director. In the event the Board intends to retain the independent director beyond 9 years, the Board shall justify and seek annual shareholders' approval.

The Board does not have a policy which limits the tenure of its independent directors to 9 years. Nonetheless, none of the independent directors of the Company had served more than 9 years as at 31 December 2018.

#### Re-elections and Appointments

An election of director shall take place every year. In accordance with the Company's Constitution, 1/3 of the directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to 1/3 shall retire from office and be eligible for re-election. All the directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring director shall retain office until the close of the AGM at which he retires.

The Nominating Committee is responsible to assess and recommend the re-election of directors due for retirement under the Company's Constitution. Their recommendation is based on formal assessment of the performance of the directors, taking into consideration their experiences, strengths, time commitment, qualities, independence and objectivity.

The Nominating Committee also assesses new appointments to the Board. In discharging its duties, the Nominating Committee will assess the suitability of the identified candidate by taking into account his background, education, skills, experience, integrity, age, ethnicity, and independency. The Board will then consider the recommendations of the Nominating Committee and make its final decision as to the appointment.

The Company Secretaries then ensure the relevant procedures relating to the appointment of the new director are properly executed.

The changes to the composition of the Board and Board Committees during the FY2018 are as follows:

| Date Change | Details   |
|-------------|---|
| 12.03.2018  | Mr. Yeoh Chong Keat resigned as an independent director of the Company  |
| 12.03.2018  | Mr. Yeoh Chong Keat ceased to be the chairman and a member of the Audit Committee                               |
| 12.03.2018  | Mr. Yeoh Chong Keat ceased to be a member of the Nominating Committee and Remuneration Committee                |
| 01.06.2018  | Ms. Lam Voon Kean appointed as an independent director of the Company   |
| 01.06.2018  | Ms. Lam Voon Kean appointed as a member of the Audit Committee, Nominating Committee and Remuneration Committee |
| 21.08.2018  | Ms. Lam Voon Kean appointed as the Chairman of the Audit Committee  |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. BOARD COMPOSITION (cont'd)

#### Annual Assessments

The Nominating Committee performs annual assessments to review the effectiveness of the Board as a whole, the Board Committees, the Audit Committee and each of its members, and makes its recommendations to the Board. Additionally, the Nominating Committee also assesses the contributions of individual directors and the independence of the independent directors and makes its recommendations to the Board.

The assessments of the Board as a whole, Board Committees, the Audit Committee and each of its members are carried out by way of evaluation questionnaires. The results of the annual assessments are compiled by the Company Secretary and presented to the Nominating Committee for evaluation and consideration. The Nominating Committee will evaluate and table its recommendations to the Board. The director concerned shall abstain from deliberating on his own assessment.

The Board was satisfied that the size and composition of the Board and the Board Committees in FY2018 were adequate and appropriate with relevant mix of skills, knowledge, capabilities, objectivity with integrity as well as diversity of gender, ethnicity and age which would effectively spearhead the Group in the best interest of the Company and its stakeholders.

The assessments of individual directors, independent directors and senior management are carried out by way of self-assessment questionnaires. The self-assessment questionnaires include amongst others the character, integrity, contributions in meetings, quality of input, understanding of role, and time commitment.

The Board was satisfied that all the directors and senior management in FY2018 were able to discharge their duties and responsibilities diligently in the best interest of the Group.

#### Board Commitments

The Nominating Committee also assesses whether the directors who hold multiple board representations are able to and have been devoting sufficient time to discharge their responsibilities adequately. The assessment of each director's ability to discharge his duties adequately is not confined to the criterion of the number of his board representations as time requirements are very subjective.

In view of the above, the Nominating Committee takes into account the contributions by the directors in meetings, their attendance at meetings and their participations outside the boardroom, in addition to their principal duties as non-executive directors of the Company. The Nominating Committee will assess and table its recommendations to the Board.

As at 31 December 2018, none of the directors held more than 5 directorships in public listed companies.

The directors are required to notify the Managing Director before accepting any new directorships in public listed companies, and of his time commitment in fulfilling his role to make positive contributions to the Board.

The Board was satisfied with the level of commitment by the directors in fulfilling their roles and responsibilities and this was further affirmed by the high percentage of the directors' attendance at meetings held during the FY2018.

#### Board Attendance

During the FY2018, the Board met 5 times and the details of the directors' attendance are as follows:

| Members of the Board                      | No. of meetings attended | Percentage of attendance |
|---|--------------------------|--------------------------|
| Lai Fook Hoy                              | 5/5                      | 100%                     |
| Teh Kiak Seng                             | 5/5                      | 100%                     |
| Teh Theng Theng                           | 4/5                      | 80%                      |
| Teh Deng Wei                              | 5/5                      | 100%                     |
| Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali | 4/5                      | 80%                      |
| Tsai Chia Ling                            | 4/5                      | 80%                      |
| Lam Voon Kean (appointed on 01.06.2018)   | 2/2                      | 100%                     |
| Yeoh Chong Keat (resigned on 12.03.2018)  | 0/1                      | -                        |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. BOARD COMPOSITION (cont'd)

#### Board Development

Any director appointed to the Board is required to complete the Mandatory Accreditation Programme (MAP) within 4 months from the date of appointment.

In addition to the MAP, the directors are to determine their own training needs. Nevertheless, all the directors are encouraged to attend trainings to keep abreast with the developments in the business environments.

The Nominating Committee annually assesses the continuous development of the directors and tables its recommendation to the Board.

As at 31 December 2018, all the directors had participated in various programmes to enhance their knowledge and understanding of recent developments in regulations, finance and business practices to aid them in the discharge of their duties and responsibilities as directors of the Company.

The Nominating Committee had recommended that the current practice be maintained and a policy on directors' training is not required.

During FY2018, the trainings attended by the directors were as follows:

| Name                       | Description  |
|----------------------------|--|
| Lai Fook Hoy               | <ul style="list-style-type: none"> <li>MCCG Reporting and CG Guide for Directors</li> <li>Independent Directors Programme: The Essence of Independence</li> <li>How to upgrade your Condominium to be Astro HD or PVR Ready</li> <li>The Institution of Engineers Malaysia (IEM): Metal Roof Series</li> <li>Green Infrastructure for Sustainability Development Using Bio-Engineering Approach</li> </ul> |
| Teh Kiak Seng              | <ul style="list-style-type: none"> <li>Changes in the Listing Requirements Post Companies Act: What to look out for</li> <li>Green Infrastructure for Sustainability Development Using Bio-Engineering Approach</li> </ul>   |
| Teh Theng Theng            | <ul style="list-style-type: none"> <li>Effective Communication &amp; Influencing Skills</li> </ul>   |
| Teh Deng Wei               | <ul style="list-style-type: none"> <li>Changes in the Listing Requirements Post Companies Act: What to look out for</li> </ul>   |
| Ahmad Mustapha Bin Ghazali | <ul style="list-style-type: none"> <li>Financial Instruments Updates – An analysis of MFRS 9 (2014) Version</li> <li>MFRS 9 Expected Loss Model</li> <li>National Tax Conference 2018</li> </ul>   |
| Lam Voon Kean              | <ul style="list-style-type: none"> <li>Case Study Workshop for Independent Directors</li> <li>Hong Kong IPO for Malaysian Enterprises Conference Capital Market Analysis and IPO Practices</li> </ul>  |
| Tsai Chia Ling             | <ul style="list-style-type: none"> <li>Taiwan Fastener Industry Value Added Intelligent Manufacturing Technology Seminar</li> <li>2018 Global Fastener Summit Taiwan Based, Global Known</li> <li>The Expansion of Taiwan Fastener Industry in India and Indonesia Markets</li> </ul>  |

The Board was satisfied with the directors' own evaluation of their training needs in FY2018 as all the directors had attended various programmes to enhance their skills and knowledge. Therefore, a policy on directors' training is not required.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### III. REMUNERATION (cont'd)

#### Remuneration Policies

The Board has established a formal and transparent process in determining the remuneration package of the executive directors. The remuneration of the executive directors is structured to link rewards to their respective contributions in supporting the Group's corporate policies, objectives, and strategies. The objective of the policy is to ensure that a competitive remuneration framework is in place to reward, motivate, and retain talent to drive the Group's businesses to greater growth and to maximise long term shareholders' value.

The remuneration framework for executive directors covers all aspects of remuneration including fees, salaries, allowances, bonuses, incentives, options, statutory contributions and benefits-in-kind.

The Board determines the remuneration package of the executive directors and senior management as recommended by the Remuneration Committee. The director concerned shall abstain from deliberating on his remunerations.

The Remuneration Committee also reviews and recommends to the Board, the remunerations of the non-executive directors based on their level of responsibilities and commitment required. The directors' fees and benefits payable to non-executive directors as determined by the Board are subject to annual shareholders' approval at the AGM.

#### Remuneration of Directors

The remuneration of the directors for FY2018 was as follows:-

| Name                                      | Fees           | Allowance    | Salaries and other emoluments | Bonus          | Defined contribution plan | Benefits-in-kind | Total            |
|---|----------------|--------------|-------------------------------|----------------|---------------------------|------------------|------------------|
| <b>Non-Executive Director</b>             |                |              |                               |                |                           |                  |                  |
| Lai Fook Hoy                              | 60,000         | 2,500        | -                             | -              | -                         | -                | 62,500           |
| Tsai Chia Ling                            | 42,000         | 2,000        | -                             | -              | -                         | -                | 44,000           |
| Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali | 52,000         | 2,000        | -                             | -              | -                         | -                | 54,000           |
| Lam Voon Kean                             | 32,367         | 1,000        | -                             | -              | -                         | -                | 33,367           |
| Yeoh Chong Keat                           | 11,282         | -            | -                             | -              | -                         | -                | 11,282           |
|   | <b>197,649</b> | <b>7,500</b> | <b>-</b>                      | <b>-</b>       | <b>-</b>                  | <b>-</b>         | <b>205,149</b>   |
| <b>Executive Director</b>                 |                |              |                               |                |                           |                  |                  |
| Teh Kiak Seng                             | 40,000         | -            | 1,875,593                     | 500,000        | 356,250                   | 35,200           | 2,807,043        |
| Teh Deng Wei                              | 40,000         | -            | 750,923                       | 200,000        | 142,500                   | 24,600           | 1,158,023        |
| Teh Theng Theng                           | 40,000         | -            | 494,241                       | 132,400        | 93,858                    | 6,600            | 767,099          |
|   | <b>120,000</b> | <b>-</b>     | <b>3,120,757</b>              | <b>832,400</b> | <b>592,608</b>            | <b>66,400</b>    | <b>4,732,165</b> |
|   | <b>317,649</b> | <b>7,500</b> | <b>3,120,757</b>              | <b>832,400</b> | <b>592,608</b>            | <b>66,400</b>    | <b>4,937,314</b> |

Save as disclosed above, none of the directors provided services or received fees for services rendered to the Company or its subsidiaries in FY2018.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### III. REMUNERATION (cont'd)

#### Remuneration of Senior Management

The Company did not adopt the recommended practice 7.2 of MCCG which requires the disclosure on a named basis the top five senior management's remuneration in bands of RM50,000.

The Board is of the opinion that specific disclosure on named basis would be unfavorable towards the Group due to the competitive human resource environment for personnel with requisite knowledge and experience in the industry.

For FY2018, the aggregate sum of remunerations paid to the senior management team was approximately RM1.2 million. The level of remuneration paid was linked to the Group's financial results, individual performance and comparable statistics in the same industry.

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. AUDIT COMMITTEE

The Board had established the Audit Committee to independently oversee the Group's financial reporting process, audit processes, statutory and regulatory compliances, corporate governance and any other matter which the Board may delegate from time to time and when necessary.

The Nominating Committee assesses the performance of the Audit Committee and its members annually to ensure an independent and effective Audit Committee. The Nominating Committee then tables its recommendation to the Board.

The Board was satisfied with the composition and effectiveness of the Company's Audit Committee as at 31 December 2018 as all its members were financially literate and possessed the appropriate level of expertise and commitment in discharging their responsibilities effectively.

Further details are set out in the Audit Committee Report section of this Annual Report.

#### External Auditors

The Audit Committee and the Board place great emphasis on the objectivity and independence of the Company's external auditors in providing relevant and transparent reports to the shareholders.

During the FY2018, the Audit Committee reviewed the scope and approach of the external audit, the reporting obligations, the audit procedures, deliverables and key dates for the year's audit before the external auditors commenced their audits of the Company and its subsidiaries.

The Audit Committee also discussed with the external auditors in respect of the accuracy and completeness of the accounting records, the impact of adoption of the new accounting standards, the effectiveness of the Group's internal controls and risk management including any other pertinent matter that was brought to the attention of the Audit Committee relating to the audit of the Group's financial statements.

During the FY2018, the Audit Committee met with the external auditors twice without the presence of the executive directors and management of the Group. The Audit Committee also ensured that management provide a timely response to any request of documents or queries raised by the external auditors.

The Audit Committee then reported to the Board on the progress and findings of the audits as well as matters that necessitate the Board's decision.

The Audit Committee is responsible to assess the external auditors annually. The Audit Committee will consider a number of aspects such as the adequacy of resources, quality of work, the experience of the staff assigned to the audit of the Group and of the Company as well as the independency and objectivity of the external auditors.

BDO PLT, the existing external auditors had been re-appointed by shareholders of the Company since financial year 2010. In compliance with the Malaysian Institute of Accountants, BDO PLT rotates its engagement partner every 7 years to ensure objectivity, independence and integrity of their audit opinions.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

### I. AUDIT COMMITTEE (cont'd)

#### External Auditors (cont'd)

BDO PLT had also confirmed to the Audit Committee in writing that they complied with the ethical requirements regarding independence with respect to the audit of the Company and its subsidiaries in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws on Professional Ethics, Conducts and Practice.

The Audit Committee was satisfied with the suitability of BDO PLT based on their audit approach, quality of work done, sufficiency of resources and independence. The Audit Committee had proposed that the Board recommends the re-appointment of BDO PLT as the external auditors of the Company at the forthcoming AGM.

### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

#### Risk Management

The Board has established the Risk Management Committee to oversee the adequacy of the Group's risk management framework to ensure risk management and internal controls are in place.

The Group has adopted a risk management framework to enhance its risk management capabilities. The Risk Management Committee reviews the risk management framework to ensure the framework remains relevant for monitoring the effectiveness of risk mitigation and controls of the key risks identified.

The Risk Management Committee is also tasked to identify new risks as well as reviewing and monitoring that identified risks are being addressed, managed and mitigated on an ongoing basis.

The Risk Management Committee will update the Audit Committee and the Board periodically on the Group's risk profile including actions undertaken by the management to manage or mitigate the risks identified.

The Board confirmed that there was an on-going process of identifying risks, evaluating and managing the significant risks faced by the Group. This process had been in place for FY2018 and up to the date of issuance of the Statement on Risk Management and Internal Control.

Further details of risk management are set out in the Statement on Risk Management and Internal Control section of this Annual Report.

#### Internal Audit Function

During the FY2018, the Group had outsourced its internal audit function to an independent professional firm of consultants, Sterling Business Alignment Consulting Sdn Bhd, a member of The Institute of Internal Auditors Malaysia (IIAM), to provide the Board with the assurance it required regarding the adequacy and integrity of the systems of internal control of the Group.

The internal auditors confirmed that there were no relationships or conflict of interest in the discharge of their responsibilities during the FY2018 and they remained independent and had no direct operational responsibility or authority over any of the activities audited.

The internal auditors report directly to the Audit Committee.

Further details of the internal audit function are set out in the Statement on Risk Management and Internal Control section and the Audit Committee Report section of this Annual Report.

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. COMMUNICATION WITH STAKEHOLDERS

#### Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's financial position and prospects to the public in accordance with the provisions of the Companies Act 2016, International Financial Reporting Standards and the Malaysian Financial Reporting Standards. In the preparation of the financial statements for FY2018, the directors had taken the necessary steps to ensure all applicable accounting policies were applied consistently, and supported by reasonable and prudent judgement.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

### I. COMMUNICATION WITH STAKEHOLDERS (cont'd)

#### Financial Reporting (cont'd)

During the FY2018, the Audit Committee assisted the Board to oversee the Group's financial reporting processes by reviewing the financial and statutory compliance aspects of the annual financial statements and quarterly financial results prior to deliberation at Board level. The Board then discussed and approved the annual financial statements and quarterly financial results for release to Bursa Securities after the close of trading.

#### Stakeholders Engagement

The Board recognizes the value of corporate transparency and coherent communication, and aims to provide fair, relevant, comprehensive and timely information regarding the Group's performance to the shareholders and the investment community to enable them to make informed decisions. The Company's Investor Relations team is tasked with, and focuses to build long term relationships and trust with the shareholders and investment community.

The Investor Relations team communicates regularly with shareholders and investment community, with timely disclosures of material or other pertinent information through announcements to Bursa Securities. The team also conducts roadshows, analyst presentations, press conferences and corporate briefings to keep investors apprised of the Group's development and financial performance.

All pertinent information is disseminated or communicated to shareholders, stakeholders and investment community through:-

- Announcements and disclosures to Bursa Securities
- Annual Report of the Company
- Circulars to Shareholders
- Press conferences and corporate briefings
- Company's website

### II. CONDUCT OF GENERAL MEETINGS

The Company's AGM is a vital forum for interaction with shareholders. The Annual Report of the Company together with the notice of AGM are sent to shareholders at least 28 days before the date of the AGM.

Each item of special business included in the notice of AGM will be accompanied by explanatory statement to facilitate a full understanding and evaluation of the proposed resolution.

The Board supports and encourages active shareholders' participation at AGM and any other general meetings. In accordance with the Company's Constitution, any shareholder may appoint up to a maximum of 2 proxies to attend and vote on his behalf in any general meeting. The proxy needs not be a member of the Company.

All the resolutions set out in the notice of meeting will be put to vote by poll. During the meeting, the independent non-executive Chairman will invite shareholders to raise questions pertaining to the proposed resolution before putting the motion to vote by poll. Board members and senior management will be present to respond to any questions raised from the shareholders. The Company's external auditors are also present to address issues relating to the audits and the auditors' reports.

Before the commencement of poll voting, the Company Secretary will brief shareholders on the poll voting instructions. An independent scrutineer will be appointed to undertake the polling and vote counting verification whilst the Company's Share Registrar will be the polling administrator.

The Company Secretary will announce the results of the poll and the outcome of the meeting to Bursa Securities via the Bursa LINK and the said announcement can also be accessed via the Company's website ([www.tambunindah.com](http://www.tambunindah.com)).

The Company did not adopt the recommended practice 12.3 of MCG where the Company should leverage technology to facilitate voting, including voting in absentia; and remote shareholders participation at the AGM.

The independent non-executive Chairman of the Board chaired the 10<sup>th</sup> AGM in orderly manner. Shareholders and proxies were encouraged to participate in the proceedings and to ask questions on the operations and performance of the Group and on any resolutions that were being proposed. Members of the Board including senior management and external auditors were present to respond to any enquiries thereof.

This statement was approved by the Board on 12 April 2019.