

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0048  
**COMPANY NAME** : ANCOM LOGISTICS BERHAD  
**FINANCIAL YEAR** : May 31, 2019

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board of Directors ("Board") has overall responsibility for the proper conduct of the business of Company and its subsidiaries ("Group") in achieving the Group's objectives and goals. It provides clear and effective entrepreneurial leadership to Management. In addition to its stewardship responsibilities, the Board also ensures that Management has in place an achievable strategic plan and objectives, and appropriate processes for risk assessment, risk management and internal controls and that the Group has the necessary resources to achieve the plan and objectives.</p> <p>The principal duties and responsibilities of the Board are, inter alia, as follows:</p> <ul style="list-style-type: none"> <li>▪ Formulate and chart the Group's strategic direction, setting out the Group's short-term and long-term plans and objectives;</li> <li>▪ Review and approve the Group's key operational policies, major investment in new businesses/projects and funding decisions;</li> <li>▪ Oversee and review the Group's business operations and financial performance;</li> <li>▪ Ensure that the Group's strategic plan supports long-term value creation encompassing strategies on economic, environmental and social considerations;</li> <li>▪ Oversee the development, implementation and review of the succession plan for the Directors and key senior management;</li> <li>▪ Understand the principal risks of the Group's business;</li> <li>▪ Review/Monitor the risk management framework and the adequacy and integrity of the Group's internal control system and management information system to ensure compliance with the relevant laws, rules, regulations, directives, guidelines and the Group's business objectives;</li> <li>▪ Ensure that the Company has in place procedures to enable effective communication with stakeholders;</li> <li>▪ Ensure the integrity of the Company's and the Group's financial and non-financial reporting; and</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Formulate and promote ethical and good corporate governance within the Group.</li> </ul>	
<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 1.2

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>Key responsibilities of the Chairman of the Board include:</p> <ul style="list-style-type: none"> <li>• Providing leadership for the Board so that the Board can perform its responsibilities effectively;</li> <li>• Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;</li> <li>• Leading Board meetings and discussions;</li> <li>• Encouraging active participation and allowing dissenting views to be freely expressed;</li> <li>• Managing the interface between Board and Management;</li> <li>• Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and</li> <li>• Leading the Board in establishing and monitoring good corporate governance practices in the Company.</li> </ul>	
<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 positions of the Chairman and the Executive Vice Chairman ("EVC") are held by two (2) persons with different roles and responsibilities. The distinct and separate roles of the Chairman and the EVC with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.</p> <p>The Chairman is primarily responsible for instilling good corporate governance practices, leadership and ensuring the Board's effectiveness and conduct in discharging its responsibilities. The EVC, who heads the Management, on the other hand, is responsible for implementing and executing the Board's corporate decisions and strategies, in addition to the day-to-day operations of the Group to achieve the financial goals set by the Board.</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 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by two (2) Company Secretaries, each with more than twenty (20) years of experience in company secretarial practices and qualified to act as a Company Secretary under Section 235(2) of the Companies Act 2016.</p> <p>The Company Secretaries play an advisory role to the Board in formulating the Company's Constitution and Board policies and procedures. They are responsible for the efficient administration of the Company's secretarial practices, particularly with regard to ensuring compliance with the Company's Constitution, Board policies and procedures, and statutory and regulatory requirements.</p> <p>The Company Secretaries are also responsible for ensuring that the Company files its various documents/returns and maintains its statutory records in accordance with the requirements of the law. They are also tasked with facilitating the orientation of new Directors and assisting in Director training and development; monitoring corporate governance developments; and assisting the Board in applying good governance practices.</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 1.5

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>	:	The Company Secretaries are responsible for preparing and organising Directors and Committee meetings as well as shareholder meetings. In consultation with the EVC, the Company Secretaries will prepare the agenda and the relevant meeting papers for these meetings. To ensure the Directors are provided with sufficient information and time to prepare for Board/Committee meetings, the Secretaries will circulate the meeting materials at least five (5) business days in advance of the Board/Committee meetings working within the time-constraint in preparing those material, otherwise the papers will be presented during the meetings. The Company Secretaries will also attend these meetings and take minutes which accurately reflect the deliberations and decisions of the Board/Committees, including whether any Directors abstained from voting or deliberating on a particular matter. The Company Secretaries will strive to prepare the minutes within twenty-one (21) days after the Board/Committee meetings for the Board and Committee's review and comment.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

## Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is guided by the Board Charter in discharging its duties. The Company's Board Charter, which was approved by the Board on 16 October 2013, is available on the Company's website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a>.</p> <p>The Board Charter sets out the authorities, roles, functions, composition and responsibilities of the Board to clearly outline the Directors' duties and responsibilities to effectively discharge their fiduciary duties in managing the Company's affairs.</p> <p>The Board Charter focuses on the following areas:</p> <ul style="list-style-type: none"> <li>▪ Board composition and Committees;</li> <li>▪ The duties and responsibilities of Board members; and</li> <li>▪ The Code of Conduct and Ethics for the Board members.</li> </ul> <p>The Board Charter is updated from time to time to reflect changes to the Board's practices and amendments to the relevant rules, requirements and regulations.</p> <p>The Board Charter was last reviewed by the Board on 24 July 2019.</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>	:	<p>The Board, in discharging its oversight role, conducts its business according to the Company’s Code of Conduct and Ethics, which is available on the Company’s website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a>.</p> <p>The Code of Conduct and Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the aim of achieving the following objectives:</p> <ul style="list-style-type: none"> <li>▪ To establish a standard of conduct and ethical behaviour for Directors based on trustworthiness and values that can be accepted and upheld by the Directors;</li> <li>▪ To uphold the spirit of responsibility in line with legislation, regulations and guidelines on administering a company; and</li> <li>▪ To manage conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.</li> </ul> <p>The Code of Conduct and Ethics is updated from time to time to reflect changes to the Board’s practices and amendments to the relevant rules, requirements and regulations.</p> <p>The Code of Conduct and Ethics was last reviewed by the Board on 24 July 2019.</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>	:		
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### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company is committed to upholding sound values and the highest standard of work ethics in line with good corporate governance. All its Directors, managers and employees are expected to conduct themselves with integrity in carrying out their functions.</p> <p>On 24 July 2019, the Board established a Whistle-Blowing Policy, which is accessible on the Company's website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a>.</p> <p>The Policy provides an avenue for all employees of the Group and other stakeholders to raise concerns about any improper conduct without fear of retaliation. Offering protection to those who report improper conduct, the Policy strengthens the Group's accountability and transparency in conducting its business affairs.</p> <p>The Whistle-Blowing Policy will be reviewed by the Board on a yearly basis.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company's Board currently comprises one (1) Independent Non-Executive Chairman, one (1) EVC, one (1) Non-Independent Non-Executive Director, two (2) Independent Non-Executive Directors.</p> <p>The Board composition complies with Practice 4.1 of the Malaysian Code on Corporate Governance 2017 ("CG Code") in having at least half of the Board represented by Independent Non-Executive Directors.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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.  Departure – The Board has decided not to adopt the 2-tier voting process.
<b>Explanation on application of the practice</b>	: The Board has decided the retain the Independent Directors who have served for more than 9 years and for those who have served for more than 12 years, shareholders' approval will be sought for their continuation as Independent Directors through a normal voting process instead of a 2-tier voting process.  The Board is of the view that the length of service of the Independent Directors does not affect a Director's ability to remain independent and to discharge his duties with integrity and competency. More importantly, the Independent Directors must maintain their independence from Management and their freedom from any business and other relationship which could interfere with the exercise of independent judgement or the ability to provide the necessary checks and balances in the best interests of the Company. The Board also believes that valuable contributions can be obtained from Directors who have developed valuable insight of the Group and its business due to their long tenure of directorship in the Company. Their experience enables them to discharge their duties and responsibilities independently and effectively in the Board's decision-making processes notwithstanding their tenure on the Board.  Further, the Board had via the Remuneration and Nomination Committee ("R&N Committee") conducted an annual performance evaluation and assessment of the Independent Directors of the Company and through the peer-assessment conducted, the Directors are of the opinion that each of the Independent Directors has appeared to demonstrate conduct and behaviour that are essential indicator of independence and they have acted in a manner that provide the necessary check and balance on the affairs of the Group in the best interest of the Company.

	<p>The Board concurred with the R&amp;N Committee's recommendation to retain the 2 Independent Directors who have each served for a cumulative term of more than 12 years, namely, Lim Hock Chye and Safrizal Bin Mohd Said, based on the above justifications.</p> <p>The Board will seek shareholders' approval at the forthcoming 53<sup>rd</sup> Annual General Meeting to retain both Lim Hock Chye and Safrizal Bin Mohd Said as Independent Directors of the Company.</p> <p>The Board has decided not to adopt the 2-tier voting process to re-elect Independent Directors who have served for a cumulative period of more than 12 years.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The R&amp;N Committee conducts a review of the appropriateness of the Board composition on a yearly basis. Should there be a need for new Board appointment, the R&amp;N Committee will conduct a search for appropriate and suitably qualified candidates for appointment to the Board, as guided by the Board Diversity Policy. Its search is based on recommendations from fellow Board members, shareholders and Management.</p> <p>The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, in its selection of Board members. In addition, the Group believes it is of utmost importance that the Board is composed of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and is able to discharge its duties in the best interests of the Company and its shareholders.</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 4.5

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 taken note of the recommendation in the CG Code pertaining to the establishment of a policy on boardroom diversity including gender diversity. On 26 July 2018, the Board formulated a formal Board Diversity Policy which is available on the Company's website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a> and was last reviewed by the Board on 24 July 2019.</p> <p>The Board is supportive of gender diversity in the boardroom as recommended by the CG Code to promote the representation of women on Boards of Directors. However, the appointment of new Directors will be guided by the skills, knowledge, experience and qualifications of the candidates rather than solely by their gender or ethnicity. Nevertheless, the Board will endeavour to ensure that gender diversity is considered in nominating and selecting new Directors in future.</p> <p>Selection of female candidates will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience. The ultimate decision to appoint female candidates will be based on merit and contribution that the chosen candidates will bring to the Board. Where suitable candidates are found in future, the Board may seek to increase representation from female members.</p> <p>The Board will continue to search for woman directors to join the Group as and when a suitable candidate which meet with the Group's expectation in her experience and expertise. However, the Board has not set any deadline on this matter.</p> <p>The R&amp;N Committee takes cognition that the Group's logistics and transportation business is still considered a male-dominated industry.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The R&amp;N Committee conducts a search for appropriate and suitably qualified candidates for appointment to the Board when necessary, as guided by the Board Diversity Policy. Its search is based on recommendations from fellow Board members, shareholders and Management.</p> <p>The R&amp;N Committee does not utilise independent sources to identify suitably qualified candidates as the Committee understands the specialised industry the Group operates in and the type of candidates whose background fit its criteria.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	<p>The Board will consider using independent sources to identify new Board candidates should the needs for new Board members arises in future. Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<b>Timeframe</b>	:	Choose an item.

**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>	:	<p>The Board has combined the functions of the Nomination Committee and the Remuneration Committee into a R&amp;N Committee.</p> <p>The Chairman of the R&amp;N Committee is an Independent Non-Executive Director.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The R&amp;N Committee conducted an assessment of the Board's effectiveness as a whole and the performance of each individual Director on a yearly basis. In the current financial year, it evaluated the Board's composition and the Directors' skills and understanding of: Strategy and Entrepreneurship; Legal and Regulatory Requirements; Corporate Governance, Risk Management and Internal Control; Audit, Accounting, Financial Reporting and Taxation; Human Capital; Sales and Marketing; Strategy and Planning; Government Relations; Marketing and Communication; and Information Technologies and Digital Skills. An assessment was also performed on the individual Directors by the Directors based on the same topics.</p> <p>In addition, taking into consideration the Board's structure, size, composition and the required mix of expertise and experience which the Directors should bring to the Board, the R&amp;N Committee assessed each Board member's qualifications, skills, knowledge, expertise and experience, time availability, professionalism, integrity and, in the case of Independent Non-Executive Directors, their ability to discharge such responsibilities and functions as expected of them.</p> <p>The R&amp;N Committee was satisfied with the results of the assessment and is of the opinion that the current size and composition of the Board is appropriate and well-balanced, with members comprising individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its responsibility effectively. Accordingly, the R&amp;N Committee recommended that the current composition of the Board and Committees be retained.</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

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 R&amp;N Committee is responsible for recommending the remuneration of the Non-Executive Directors, including Directors' fees and benefits as per the Board Remuneration Policy which maintains strong linkage between the Directors' remuneration and performance, value and sustainability of the Company as well as the skills and experience required. The Board Remuneration Policy is available on the Company's website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a>.</p> <p>In 2016, the holding company, Ancom Berhad, engaged a firm of consultants to conduct a review of the fees for the Non-Executive Directors of 30 public listed companies on Bursa Malaysia Securities Berhad ("Bursa Securities"), based on their annual reports as at 31 January 2019.</p> <p>Based on the review, the R&amp;N Committee is of the opinion that the Directors' fees and allowances paid to the Non-Executive Directors in the financial year 2018 is still reflective for the financial year 2019 for companies listed on the ACE Market.</p> <p>As such, the R&amp;N Committee recommended the same amount of Directors' fees and allowances paid in financial year 2018, be payable to the Non-Executive Directors in the current financial year 2019.</p> <p>The Board has endorsed the R&amp;N Committee's recommendation.</p> <p>The R&amp;N Committee noted that the EVC has, as in the past years, decided not to receive any remuneration from the Group in the current financial year 2019.</p>
	:	

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



### Intended Outcome

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

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

### Practice 6.2

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 R&N Committee are available on the Company's website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a> .	
<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 detailed disclosures are in the Remuneration and Nomination Committee Report in the Company's 2019 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>	:	The total detailed remuneration of the top 5 senior management are not disclosed.	
		The Board is of the opinion that such information will not add significant value or understanding of the Company's corporate governance.	
		To disclose such information could possibly give rise to recruitment and talent retention issues, unnecessary staff rivalry and disillusionment. It would also encourage poaching by other organisations of the Group's senior management which will have a negative impact on the Group's continuous operation since the key management have been with the Group for a long time and top talents are hard to come by in the competitive human resource market.	
<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 ("AC") is an Independent Non-Executive Director. He is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	It is a policy in the Terms of Reference of the AC, that former key audit partners shall observe a cooling-off period of at least 2 years before being appointed as a member of the AC. This is to avoid potential conflict of interest, which puts a former key audit partner in a position to exert significant influence over the audit and preparation of the Company's and of the Group's financial statements.  Currently, none of the members of the AC are former key audit partners.	
<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>	:	As stated in the Company's External Auditors Assessment Policy, which is available on the Company's website <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a> , the AC has been delegated by the Board to assess the suitability, objectivity and independence of the External Auditors. The assessment is carried yearly based on the following assessment criteria:  <ul style="list-style-type: none"><li>- Competence;</li><li>- Audit quality; and</li><li>- Independence.</li></ul> Please refer to the Company's External Auditors Assessment Policy for more details.
<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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The AC comprises of two (2) Independent Directors and one (1) Non-Independent Director who is a Non-Executive Director.



### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Terms of Reference of the AC specifically required all members of the AC to be financially literate and all members of the AC should undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules either on their own accord or through courses, workshops and seminars arranged by the Company.  Please refer to the Corporate Governance Overview Statement on Continuing Education Programme and Training for more details.
<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>	:	There is an ongoing process of identifying, assessing and responding to risks that could impede achievement of the Group's objectives.	
<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 9.2

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 Group Risk Management and Internal Control Framework involved the process of risk identification and measurement of possible risk exposures arising from changes in the internal and external environment as well as operational conditions. The risk measurement guidelines consist of qualitative measures to determine the financial and non-financial consequences of the different risks based on their likelihood and impact.</p> <p>As part of the risk management process, a Registry of Risks and a Risk Management Handbook have been adopted. The Registry of Risks identifies principal business risks and is updated according to changes in the risk profile as well as the identities of the risk owners. The Risk Management Handbook summarises the risk management methodology, approach and processes; the roles and responsibilities of the risk owners; and various risk management concepts. It is the responsibility of risk owners to ensure that adequate control systems are implemented to minimise and control risks faced by the Group.</p> <p>The Management has been empowered with the responsibility to manage the risks and internal controls associated with the Group's operations and to ensure compliance with the applicable laws and regulations. A Risk Manager has been appointed to review, update and report on key risk factors of the main operating subsidiaries at the AC's quarterly meetings. In addition, significant issues and controls implemented are discussed at Management meetings and the quarterly AC meetings.</p> <p>The Group, in its efforts to provide an adequate and effective internal control system, had appointed an independent consulting firm to review the adequacy and integrity of its system of internal control and perform the role of Internal Auditors.</p> <p>The Internal Audit reviews address critical business processes, identify risks and internal control gaps, assess the effectiveness and adequacy of the existing state of internal control of the Group and recommend possible improvements to the internal control process. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group. Quarterly Internal Audit Reports and Status Reports on follow-up actions are tabled to the AC during its quarterly meetings.</p>

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

**Intended Outcome**

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

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

**Practice 9.3 - 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 AC has been entrusted by the Board to ensure that an effective and adequate risk management and internal control system is in place at all times. A Risk Management Working Group ("RMWG") comprising the EVC, the Chief Financial Officer and the Risk Manager has been set up to report on matters relating to risk management and internal control to the AC, which consists of majority Independent Directors.

### 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 AC has been entrusted by the Board to ensure that an effective and adequate risk management and internal control system is in place at all times.</p> <p>The AC will review its own performance and Terms of References yearly to ensure that it is operating at maximum effectiveness, recommending any changes it considers necessary to the Group.</p> <p>The AC has been empowered to ensure that the Internal Audit Function, which is outsourced to a firm of independent consultants, reports directly to the AC, that it is independent of the functions it audits and has the authority and resources necessary to carry out its responsibilities.</p> <p>In the AC's yearly assessment of the Internal Audit Function, the AC assessed the internal Audit Function based on the following criteria:</p> <ul style="list-style-type: none"><li>- the assessment of independence focuses on whether there exists any relationship between the Internal Auditors and the Directors or senior management and major shareholders of the Group as well as any conflict of interest arising from such relationships.</li><li>- the assessment of performance focuses on the Internal Auditors' experience, competency, resources of the firm, the quality of the staff assigned and the AC's opinion on the quality of the Internal Audit Reports.</li></ul> <p>The AC was satisfied with the Internal Auditors' competence and independence. The Internal Auditors have given written assurance to the AC that they have complied with the relevant ethical requirements regarding their professional independence.</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>	:		
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## 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>As disclosed in the AC's Terms of Reference, one of the roles of the AC is to deal with the review and assessment of the Company's Internal Audit Function.</p> <p>The Company outsourced its Internal Audit Function to a firm of independent consultants ("Firm"). The Firm has confirmed that its personnel are free from any relationships or conflict of interest with the Company, the Board, the senior management and the major shareholders of the Company, which could impair their objectivity and independence of the Internal Audit Function.</p> <p>The Firm has also confirmed that it does not have any direct operational responsibility or authority over any of the activities audited.</p> <p>The Firm is a Corporate member of The Institute of Internal Auditors Malaysia. The Firm uses the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control systems.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of timely and thorough dissemination of material information about the Group's business to its shareholders and investors for informed investment decisions in line with the Listing Requirements and best practices as recommended by the CG Code. The Board regards regular communication with the public via various announcements and the issuance of Annual Reports, circulars and press releases as key to building good relationships with its shareholders and investors.</p> <p>The Board strives to disclose such information to the public as soon as practicable through Bursa Securities, the media and the Company's website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a>, and to ensure that such information is handled properly to avoid leakage or improper use. The Board will take reasonable steps to ensure that all investors have equal access to material information. Selective disclosure is not allowed.</p> <p>The Company shall disclose all material information required to be disclosed under applicable securities laws, regulations and requirements as per the disclosure principles listed below:</p> <ul style="list-style-type: none"><li>• Material information will be announced immediately to Bursa Securities, and later be made available on the Company's website;</li><li>• Material information will be kept confidential temporarily if the immediate release of such information would be detrimental to the interests of the Company and/or its shareholders;</li><li>• The disclosure must be factual and non-speculative;</li><li>• If the Company learns that an earlier disclosure contained material error(s), such disclosures must be corrected immediately; and</li><li>• The Company will not comment, affirmatively or negatively, on rumours including those on the Internet. Should Bursa Securities request that the Company make a definitive statement in response to any market rumour that is causing significant volatility in the price of the Company's securities, the EVC will respond appropriately, after consulting with the Board or Advisors if time permits, before a reply is given to Bursa Securities.</li></ul>

	<p>Information is considered material if it can reasonably be expected to have a material effect on the price, value or market activity of the Company's securities or the decision of a holder of security or an investor in his/her actions.</p> <p>The Company releases all material information publicly through Bursa Securities' website at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a> and via the Company's website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a>.</p> <p>Minutes on the proceedings at the general meetings are recorded by the Company Secretaries. These are available for inspection by the Company's shareholders at the Company's registered office at Unit C508, Block C, Kelana Square, Jalan SS 7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia. A summary of key matters discussed at the general meetings is also posted on the Company's website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a>.</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**

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 as Ancom Logistics Berhad is not a large company.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Notice of the 53<sup>rd</sup> Annual General Meeting was circulated at least 21 days prior to the date of the general meeting. The Board is of the opinion that the notice period is adequate for the shareholders to go through the Annual Report and the Circulars supporting the resolutions proposed. This notice period of 21 days is in line with Section 316(2) of the Companies Act 2016 and Rule 7.15 of the Listing Requirements.</p> <p>The Notice of AGM is also posted on the Company's website at <a href="http://www.ancomlogistics.com.my">www.ancomlogistics.com.my</a> on the same day as the Notice is despatched to the shareholders. It is also being advertised in a major nationally circulated newspapers alongside an announcement on the Bursa Securities' website.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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 and top management will attend the Company's Annual General Meeting. The Chairman, EVC, Chairmen of the AC and R&amp;N Committee respectively, and the Chief Financial Officer as well as the External Auditors and professional advisers, where applicable, will be available to answer queries from the shareholders.</p> <p>Shareholders are encouraged to raise questions before matters on the agenda are put to a vote.</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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company does not have large number of shareholders in remote locations.</p> <p>To encourage shareholders to attend and participate in the Company's general meetings either in person, by corporate representative, by proxy or by attorney, the Company would hold its meetings at venues that are easily accessible by the shareholders or their proxy and at a time convenient to the shareholders or their proxy.</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>	:		

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

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

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