

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7091  
**COMPANY NAME** : UNIMECH GROUP BERHAD  
**FINANCIAL YEAR** : December 31, 2017

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the overall performance of the Group by setting the vision and objectives, including strategic direction, establishing goals for management and monitoring the achievement of these goals.</p> <p>Dedicated Board Committees have been established with clear Terms of Reference, as stipulated in the Board Charter which is available in the Company's website <a href="http://www.unimechgroup.com">www.unimechgroup.com</a> to effectively discharge these responsibilities.</p> <p>During the year, the Board had meetings each quarter with the management of the Company to present and review the performance and results of the business. The results were benchmarked against the aligned annual budget. Discussion on sustainability and identification of risks and how to mitigate them were among the topics. Procurements with a better guideline to ensure consistency in practices and to enhance the internal control system. The purchasing activities were put in place based on Standard Operating Procedure (SOP).</p> <p>An annual review of the overall performance, business plan, budget and financial forecast was deliberated during the November 2017 meeting by the Board together with the management.</p>
<b>Explanation for departure</b>	:	

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

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

**Intended Outcome**

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

**Practice 1.2**

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Dato' Seri Dr Kiew Kwong Sen was appointed as the Independent Non-Executive Chairman of the Company on 1 March 2016.</p> <p>Dato' Seri Dr Kiew is a respected Chairman who would always voice his views on any issues objectively. He provided quality leadership and guidance to the Board thus enabling the Board to perform its responsibilities effectively.</p> <p>Unfortunately, Dato' Seri Dr Kiew had resigned on 30 January 2018 due to other personal commitment.</p> <p>On 15 March 2018, Professor Dato' Dr. See Ching Mey succeeded Dato' Seri Dr. Kiew Kwong Sen as the Independent Non-Executive Director cum Chairman.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The positions of the Chairman and CEO are held by two (2) different individuals who holds distinct and separate roles with clear division of responsibilities, ensure a balance of power and authority of the two (2) roles. Their roles and responsibilities are provided in the Board Charter which is available at the Company's website: <a href="http://www.unimechgroup.com">www.unimechgroup.com</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**

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

**Practice 1.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board has unrestricted access to the advice and services of the Company Secretaries to assist the Board to discharge its duties effectively. The Board is supported by qualified and competent Company Secretaries who are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators and are qualified to act as company secretary under Section 235(2) of the Company Act 2016. They ensure that the Company's Constitution, procedures, statutory obligations, policies and regulations are complied with in a timely manner. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Company Secretaries organize and attend all Board and Board Committee Meetings.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>An annual meeting calendar is prepared and circulated to all Directors before the beginning of each year to facilitate planning for the Directors.</p> <p>The Notice of Meeting for the Board of Directors' and/or respective Committee Meetings are circulated at least ten (10) days prior to the Meetings.</p> <p>The Meeting Papers were prepared and emailed to the Board and respective Board Committee via email to ensure that the Board and Committee members received the information timely.</p> <p>Draft minutes of each Board and or respective Committee Meetings are circulated to the Board and/or respective Committee for their review and comments in a timely manner before the minutes are tabled for confirmation at the next meeting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter, which is available on the Company's website at: <a href="http://www.unimechgroup.com">http://www.unimechgroup.com</a> and is subject to annual reviews and updates to ensure its compliance with regulatory requirements to ensure its relevance in assisting the Board to discharge its duties with the changes in the corporate laws and regulations that may arise from time to time and to remain consistent with the Board's objectives and responsibilities.</p> <p>The Board Charter clearly sets out the roles and responsibilities of the Board, the Board Committees, individual directors and management.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

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

**Practice 3.1**

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Code of Conduct and Ethics ("Code") of Unimech which is available on the Company's website at <a href="http://www.unimechgroup.com">www.unimechgroup.com</a>, function as a guide to the Directors and employees. It states the responsibilities and obligations of the Directors and employees and to adopt the basic standards of conduct that are expected of them. The principle of this Code is based on principles in relation to sincerity, integrity, responsibility and corporate social responsibility.</p> <p>The following are the principles that the Company's Directors, management and employees must observe:</p> <ul style="list-style-type: none"> <li>(i) Conduct all business with honesty, integrity and transparency and accountability.</li> <li>(ii) Comply with the country's laws, rules and regulations.</li> <li>(iii) Promote ethical behaviour among peers, subordinates, suppliers and customers.</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**

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 Whistle-Blowing Policy established by the Board embodies the Company’s commitment to achieving and maintaining the highest standard of work ethics in the conduct of business in line with the code of conduct &amp; ethics and good corporate governance practices. The Company and its subsidiaries (“the Group”) encourage its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group.</p> <p>This policy provides an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy and to provide protection for employees and members of the public who report such allegations.</p> <p>The Audit Committee Chairman did not receive any such report in financial year 2017.</p> <p>A copy of the Whistle-Blowing Policy is available at the Company’s website, <a href="http://www.unimechgroup.com">www.unimechgroup.com</a>.</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**

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

**Practice 4.1**

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Currently the Board consist of 5 Executive Directors, 1 Senior Independent Non-Executive Director and 3 Independent Non-Executive Directors which meets the Main Market Listing Requirement (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) of at least three (3) Directors or one-third (1/3) of the total Board members, whichever is higher, to be independent.</p> <p>The Board has the right balance of members to ensure effective checks and balances on the Board including diverse perspectives and insights and effectively safeguard the interest of the minority shareholders and the best interests of the Company.</p> <p>A brief profile of each Director is presented on page 18 to 20 of the Annual Report 2017.</p> <p>Alternative: Currently the board consists of 4 independent and 5 executive directors. The Company aims to have an equal number of independent and executive directors by 2020.</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

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

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	: Applied – Annual shareholders' approval for Independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	<p>Out of the current 4 Independent Directors of the Company, only Dato' Abdul Rafique Bin Abdul Karim has served on the Board for a cumulative term of beyond 9 years.</p> <p>Dato' Abdul Rafique Bin Abdul Karim has served the Board as Independent Director from 6 March 2000 to 10 March 2011 and as Non-Independent Non-Executive Director from 11 March 2011 to 5 April 2018. He was redesignated to Independent Non-Executive Director on 6 April 2018.</p> <p>Dato' Abdul Rafique Bin Abdul Karim and the Board have decided to seek shareholders' approval to retain him as independent director.</p> <p>The Board recognizes the benefits of experience and stability brought by long serving directors which are often in the best interest of the Company and its shareholders. Dato' Abdul Rafique has strong independent viewpoints and objective judgement when deliberating decision besides seeking clarifications and challenging Management on the Group's business and other matters in the Board and Board Committee meetings. He also has a good understanding of the Group's various core business operations during his tenure of office and this has facilitated him to discharge his duties as an Independent Director effectively. In view of this, the Nominating Committee and the Board would like to recommend the retention of Dato' Abdul Rafique as an Independent Director of the Company. The Board will seek the approval of the shareholders at the forthcoming AGM for Dato' Abdul Rafique to continue as an Independent Director.</p> <p>Dato' Abdul Rafique has and will continue to abstain himself from all deliberations and/or voting at the meetings of the Company pertaining to his retention as an Independent 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**

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 current Board members comprises a mixture of skill from business, economics, accounting, science, education and finance.</p> <p>The Nominating Committee and the Board reviews and conducts a yearly assessment on the Board and Board Committee.</p> <p>The criteria for the selection and appointment of key senior management was made having taken into consideration their experience, age, diversity in skills, gender, cultural background and other qualities.</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>	:	The Board takes cognisance of the recommendation of the MCCG to promote gender diversity. Notwithstanding the recommendation, the Company does not practice any form of gender, ethnicity and age group biasness. The Company is committed to provide fair and equal opportunities for all candidates. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the company. The Company is headed by a Chairwoman.	
<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>	:	In identifying new Board members, the Board seeks recommendation for candidates from existing Board members, management and major shareholders. The recent appointment of Professor Dato' Dr. See Ching Mey was recommended by members of the Board. The Nominating Committee reviewed the suitability of the candidate before it was tabled at the Board meeting for approval.	
		The Board will consider candidates from all sources including independent sources as long as the candidate is suitable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Nominating Committee is Mr Khairilnuar Bin Tun Abdul Rahman who is an Independent Non-Executive Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 5.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee undertake to conduct an annual assessment and evaluation on the effectiveness of the Board members and Board Committees based on questionnaires led by the Nominating Committee Chairman and supported by the Company Secretary. The assessments were conducted on the individual Board members, the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee and also the independency of the Independent directors.</p> <p>The Nominating Committee and the Board is satisfied with the composition, time commitment and contributions by the Board and Board Committees.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 6.1**

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 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.</p> <p>The Non-Executive Directors are paid an annual directors' fees which are approved by the shareholders at the Annual General Meeting. All Board Directors are also paid attendance allowances for each Board or Committee meeting that they attend.</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>	:	<p>Following the introduction of MCCG, the Remuneration Committee ("RC") should only consist of non-executive directors and a majority of them must be Independent Directors. The RC members were restructured on 1<sup>st</sup> March 2018 to reflect the current recommendation of MCCG. The new RC comprises Encik Khairilnuar Bin Tun Abdul Rahman as the Chairman and Dato Abdul Rafique Bin Abdul Karim and Mr Teh Eng Aun as members.</p> <p>The Terms of Reference which deals with its authority and duties are disclosed and is available at the Company's website: <a href="http://www.unimechgroup.com">www.unimechgroup.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Details of the remuneration of Directors of the Company during the financial year ended 31 December 2017 are included in the Corporate Governance Overview Statement of the Annual Report 2017.	
<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 Company is of the view that it would not be in the best interest of the Company to disclose the details of each key Senior Management personnel's remuneration on a named basis due to the competitiveness in the employment market. The Company would like to maintain the confidentiality of the individual remuneration details.	
		The Board ensures that the remuneration of Senior Management is fair and commensurate with the performance of the Company and the contributions made by the Senior Management to excel in their respective roles.	
<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 is Mr Teh Eng Aun who is Senior Independent Non-Executive Director and 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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Audit Committee does not have 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.</p> <p>However, none of the members of the Audit Committee were former key audit partners.</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>	:	To review the Terms of Reference (TOR) of Audit Committee to include the above recommended practice.
<b>Timeframe</b>	:	Within 1 year

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Terms of Reference of Audit Committee also includes the following:</p> <ul style="list-style-type: none"> <li>• Review the External Auditors' scope of work and audit plan for the Group.</li> <li>• Review the reports of External Auditors pertaining to accounts and internal control status.</li> <li>• Recommend to the Board for the appointment of External Auditors.</li> </ul> <p>The Audit Committee was satisfied with the suitability and independency of the External Auditors based on the quality of services and sufficiency of resources they provided to the Group, in terms of the firm and the professional staff assigned to the audit. The Audit Committee also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at private meetings, which demonstrate their independence, objectivity and professionalism.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee of the Company comprises solely of Independent Directors when Dato' Abdul Rafique bin Abdul Karim was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 6 April 2018.

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Under the TOR of Unimech, at least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA") or have at least three years working experience and have passed the examination specified in Part 1 of the 1<sup>st</sup> Schedule of the Accountants Act, 1967 or must be a member of one of the association of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967.</p> <p>The Chairman of the Audit Committee is a member of the MIA. Nevertheless, members of the Audit Committee are all financially literate and have understanding of the financial reporting process and the financial matters discussed. The members also attended training relating to tax rulings and/or corporate governance changes.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.1**

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board maintains an ongoing commitment to strengthen the Group's risk management framework. Risk management is regarded by the Board to be an integral part of the business operations. Senior Management and Head of Department of the Group appraises significant risks affecting the achievement of the Group's business on an ongoing basis, and considers the appropriateness of controls having regards to cost and benefit, materiality and the likelihood of the crystallisation of risks. In order to enhance the risk management practices, the Group has established a risk management framework which involved identifying, evaluating, monitoring and managing significant risks affecting the achievement of its business 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>	:	The Company is fully aware of its responsibilities to safeguard and enhance the value of shareholders. As a step up measure, the Company has engaged the service of internal audit firm to assist the risk management and internal control of the Group. Reports from internal audit firm were presented to the Board for discussion during the Board meetings and recommendations adopted will be implemented accordingly.	
<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 Company has outsourced the internal audit function to an internal audit firm as well as establishing a Risk Management Committee (“RMC”) and is headed by the Group’s General Manager and 2 independent Directors as members. The Board delegates to the RMC the responsibility for evaluating, reviewing and monitoring the vital -enterprise risks affecting the business and operations as an on-going basis.

**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 Company has engaged the services of an independent professional firm of consultants to carry out enterprise risk management exercise and internal audit services. The in-house internal audit department also assists the Board in monitoring and managing risks and internal controls. The internal audit functions also assist the Audit Committee in discharging its duties and responsibilities.</p> <p>The Group has established its own in-house Internal Auditors whose internal audit function is independent. Their main function is to undertake regular and systematic audit of the Group's operating entities, reviewing and testing the system of internal control including Enterprise Risk Management.</p> <p>The Internal Auditor reports directly to the Audit Committee on the quarterly Internal Audit Report and Annual Internal Audit Plan.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Mr Ooi Wei Seong is in charge of our in-house internal audit. Mr Ooi has over 7 years of internal and external audit experience and he is a member of Malaysian Institute of Accountants (MIA). He is free from any relationships or conflicts of interest which could impair his objectivity and independence.</p> <p>In addition to in-house audit, we have also engaged an independent professional firm to carry out the internal audit functions.</p> <p>The information on the Internal Audit function is available in the Statement on Risk Management and Internal Control in the Annual Report 2017.</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 recognizes the importance of ongoing engagement and communication with stakeholders, which believe would build the trust and understanding between the Company and its stakeholders and also provides stakeholders a better appreciation of the Company's objectives and the quality of the management. This in turn will assist stakeholders in evaluating the Company and facilitate shareholders to determine how their votes should be exercised.</p> <p>The Board provides stakeholders with quarterly results and Audited Financial Statements as well as corporate announcements on significant developments affecting the Company through announcement in Bursa Securities in accordance with the MMLR.</p> <p>The investor relation details published in the Company's website would enable the stakeholders to seek clarification or raise queries via email or phone at any time.</p> <p>Communication and feedback from investors can also be directed to <a href="mailto:ugb1info@unimechgroup.com">ugb1info@unimechgroup.com</a> or</p> <p>Wisma Unimech, 4934 Jalan Chain Ferry, 12100 Butterworth, Pulau Pinang</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**

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>	:	This Company is not a large Company as defined by Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has provided 28 days prior notice for the coming AGM in 2018 to enable shareholders to have sufficient time to consider the resolution that will be discussed.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All Directors of the Company including the Chair of Board Committees have attended and will continue to attend the Annual General Meetings (AGM) and any Extraordinary General Meeting (EGMs) of the Company.</p> <p>There is an open question and answer session on the resolutions being proposed or about the Group's operations in general. The Management and external auditors also were in attendance to respond to the shareholders' queries (if any).</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 holds its meeting in places easily accessible by its shareholders. The Company has adopted poll voting for all resolutions proposed, where the votes were cast by way of voting slips.</p> <p>The number of foreign shareholders is too immaterial to warrant the use of technology to facilitate remote shareholder's participation or voting in absentia at this stage.</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  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

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

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