

CORPORATE GOVERNANCE REPORT

STOCK CODE : 6572
COMPANY NAME : Kwantas Corporation Berhad
FINANCIAL YEAR : June 30, 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 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.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("the Board") of Kwantas Corporation Berhad ("the Company") has the overall responsibilities to manage the business of the Company in meeting its objectives and goals. A formal Vision and Mission Statement is in place to set out the values and standards in guiding the Management to pursue the Group's corporate objectives. Additionally, the shared patterns of behaviours and beliefs of the Group are driven by 7 core values, i.e Integrity, Innovativeness, Commitment and Follow-Through, Proactive and Promptness, Loyalty, Teamwork and Cost Consciousness.</p> <p>The Board has its primary function to chart, implement and evaluate the performance of various strategies. In discharging the Board's duties, the Board is assisted by the Board Committees such as Audit and Risk Management Committee, Nomination Committee and Remuneration Committee which operate within their respective Terms of References that have been approved and adopted by the Board. The clear roles and responsibilities of the Board are guided by the Board Charter which is available on the Company's website www.kwantas.com.my. The formal matters reserved for the Board have been duly stipulated in the Board Charter, making sure that the strategic directions and control of the Group are exercised in the hands of the Directors.</p> <p>The Chairman is responsible for providing the overall leadership to the Board which the day-to-day arrangement of the Group is delegated to the Group Chief Executive Officer who holds the primary executive responsibility for meeting the Group's business objectives and manages the Group in accordance with the strategic directions and business plans discussed from time to time.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is chaired by an Independent Non-Executive Director, Datuk Ismail Bin Abdullah who provides overall leadership to the Board and ensures its effectiveness and conduct towards achieving the Group's directions and strategies.</p> <p>The Chairman assumes a leadership role in the Board by helping the Board fulfill the goals it sets through effective governance process and to represent the Board to the shareholders and other stakeholders.</p> <p>The roles of the Chairman of the Board have been set out in the Board Charter of the Company which is accessible at www.kwantas.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Group Chief Executive Officer of the Company are held by 2 different individuals. The Chairman and Group Chief Executive Officer are held by Datuk Ismail Bin Abdullah and Mr Kwan Ngen Wah respectively. Details of their profiles are provided on page 17 of the Annual Report 2019.</p> <p>The key roles of these 2 positions are distinguishable and clearly defined. The Chairman provides overall leadership to the Board and ensures its effectiveness and conduct whilst the Group Chief Executive Officer has the final executive responsibilities for the day-to-day Management and operations of the Group as well as the implementation of the Group's strategies and policies.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	: Applied
Explanation on application of the practice	<p>The Company Secretaries of the Company are Ms Kwan Fei Fen and Ms Kwan Chiew Giok. Both Company Secretaries of the Company are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. Ms Kwan Fei Fen is a Fellow member of the Malaysian Institute of Chartered Secretaries and Administrators whereas Ms Kwan Chiew Giok is a Licensed Secretary approved by the Companies Commission of Malaysia.</p> <p>The Company Secretaries play a supporting and an advisory role in ensuring the Board adheres and complies to the policies, procedures and regulatory requirements from time to time.</p> <p>The Company Secretaries constantly keep themselves abreast of the latest regulatory changes and development in corporate governance through attending relevant professional training programmes and conferences. Some of the training programmes attended during the financial year ended 30 June 2019 were such as:-</p> <ul style="list-style-type: none">(i) MAICSA Annual Conference 2018: Forging Forward – New Dimensions;(ii) Malaysian Business Reporting System (MBRS) for Preparers : Financial Statements(iii) MAICSA Symposium 2018: Beyond Compliance – Stepping Up Your Game;(iv) Companies Act 2016: CSP Practical Issues;(v) Majlis Dialog Tahunan SSM; and(vi) SSM CDTP Fundamental and Cyber Security Awareness <p>Copies of the training material and updates on laws and rules and regulations are circulated and tabled during the Board meeting for the benefits of the Board.</p> <p>The Company Secretaries carry out among others, the following duties:-</p> <ul style="list-style-type: none">(i) maintaining the statutory registers and records in accordance with legal requirements;(ii) attending Board and Board Committee meetings and ensuring these meetings are properly convened and proceedings are

	<p>properly recorded and kept at the registered office of the Company for future inspection;</p> <p>(iii) ensuring that all appointments to the Board and Committees are properly made;</p> <p>(iv) facilitating the ongoing provisions of information as may be requested by the Directors and supporting the Board in ensuring ongoing adherence to Board policies and procedures, Bursa Securities Main Market Listing Requirements and other compliances; and</p> <p>(v) facilitating the communication of key decisions and policies between the Board, Board Committees and Senior Management.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>Board meeting is convened to discuss and consider various matters including the Group's quarterly financial results, major acquisitions or disposals, future business planning, operations development review, major operational and financial issues.</p> <p>The due Notice of Board or Board Committees meetings is distributed to all Board members via email at least 7 working days before the actual date of meeting to allow the Directors to plan for their participation.</p> <p>Meeting papers or reports such as financial and corporate reports, Group's division performance reports and any Management proposals are circulated by email in advance at least 3 working days before the meeting to allow the Directors sufficient time to read through the material and seek further clarifications. Other meeting papers that are deemed urgent or consisted of sensitive information may only be tabled during the actual meeting.</p> <p>All pertinent issues are discussed and deliberated at the meeting to arrive at the final decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meeting.</p> <p>Minutes of the Board or Board Committees meeting which comprising record of the decisions made and actions to be taken would be distributed to all Board members on a timely manner for Board's review and subsequently for confirmation at the following Board or Board Committee meeting. All Board or Board Committee minutes are kept at the registered office of the Company.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has adopted an approved Board Charter that clearly sets out the roles and responsibilities of the Board and the Board Committees.</p> <p>The Board Charter and its Terms of Reference are made available on the Company's website at www.kwantas.com.my and are subject to review by the Board periodically to ensure they remain consistent with the Board's objective and comply with the latest changes in regulations and best practices.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has put in place a Code of Conduct and Business Ethics. The Code of Conduct and Business Ethics provides an ethical framework to guide the actions and behaviours expected of all Directors and employees of the Group in living up the Group's ethical business standards. Details of the Code of Conduct and Business Ethics can be viewed from the Company's website at www.kwantas.com.my. Employees of the Group are also informed of the Code of Conduct and Business Ethics of the Group which are published in the Group's intranet portal.</p> <p>With the enforcement of the new Corporate Liability Provision in Section 17A of the Malaysian Anti-Corruption Act 2009 which shall come into effect in June 2020, it is imperative that the Board must put in place adequate procedures to defence and prevent corruption. The Board is currently working towards the setting of policies, procedures and mechanisms to prevent such corruption from happening.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised a Whistleblowing Policies and Procedures which is available at the Company's website at www.kwantas.com.my.</p> <p>Whistleblowing Policies and Procedures provide an established channel to facilitate any employee or stakeholder who has knowledge about any violations, wrongdoings or suspected breaches of the law or rules and regulations within the Group to safely make a report, without having fear to unfair dismissal, victimisation or retaliatory actions.</p> <p>During the financial year under review, no whistleblowing report was lodged to the attention of the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>For the financial year under review, the Board comprised of 7 members of whom 4 are Non-Independent Executive Directors and 3 are Independent Non-Executive Directors. The Independent Non-Executive Directors were made up to 42.9% of the Board's composition which complied with the requirements set out under Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Securities that at least 2 Directors or 1/3 of the Board, whichever is higher, must be independent.</p> <p>The existing Independent Non-Executive Directors are made up of individuals with relevant expertise in plantation, legal, auditing, accounting, financing and taxation. All of them are capable of performing their duties independently and objectively in all Board's deliberations.</p> <p>Given the existing 42.9% of the Board members are made up of Independent Directors which are not too far from achieving the fifty-fifty balance of Independent to Non-Independent Directors as required under Malaysian Code on Corporate Governance, the Board together with the Nomination Committee are committed and have regular deliberations on this matter, hoping to close the gap and achieve the fifty-fifty balance of Independent to Non-Independent Directors' requirement and will consider the best practice in delivering sounding Board and meeting corporate accountability.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	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 4.2

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

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

Application	:	Applied - Two Tier Voting
Explanation on application of the practice	:	<p>Currently, the Board has one long serving Independent Non-Executive Director, Mr Ooi Jit Huat, who was appointed on 9 March 2000 and has served the Board for a cumulative term of more than 12 years. The Nomination Committee will assess the independence of Mr Ooi Jit Huat annually to ensure he remains unbiased and objective and free from any undue influence from the interested parties that would materially interfere with the exercise of his independent judgement or the ability to act in the best interest of the Company. Annual shareholders' approval was sought at the Annual General Meeting since year 2013 for Mr Ooi Jit Huat to continue to serve as an Independent Non-Executive Director of the Company. During the last Annual General Meeting held on 30 November 2018, the Board had successfully sought the annual shareholders' approval through a two-tier voting process to retain Mr Ooi Jit Huat as an Independent Non-Executive Director of the Company.</p> <p>In assessing the independence of a Director, the Board holds the view that length of service should not form part of the assessment criteria but rather the ability of an Independent Director to bring independent and objective judgement to Board's deliberations. The suitability and capability of an Independent Director to perform his duties and responsibilities effectively are very much dependent on his calibre, qualification, experience and personal qualities.</p> <p>The Board via its Nomination Committee has assessed the conduct and independence of Mr Ooi Jit Huat, who has served as an Independent Non-Executive Director of the Company for a cumulative term of exceeding 12 years, and are unanimous in their opinion to recommend Mr Ooi Jit Huat to be retained as the Independent Non-Executive Director of the Company based on the following justifications:-</p> <p>(i) he continues to fulfill the criteria of an "Independent Director" pursuant to the Main Market Listing Requirements of Bursa Securities;</p>

	<p>(ii) his vast experience and expertise relating to the Company's business operations have enabled him to discharge his duties effectively in a competent manner;</p> <p>(iii) he has not formed associations with the Management that might compromise his ability to exercise independent judgement or act in the best interests of the Company; and</p> <p>(iv) he has at all times provided independent views to the deliberations and decision making of the Board and Board Committees and fully understood and provided critical oversight over the Company's objectives and strategies.</p> <p>The Board will be seeking shareholders' approval through a two-tier voting process for the continuing office of Mr Ooi Jit Huat as Independent Non-Executive Director of the Company at the forthcoming Annual General Meeting.</p>
<p>Explanation for departure</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>Measure</p>	<p>:</p>
<p>Timeframe</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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of maintaining an appropriate balance of Directors with diverse backgrounds and specialisations required to effectively lead and direct the Company.</p> <p>The Nomination Committee is tasked with the responsibility of searching for and making recommendation to the appointment of new Directors to the Board. In making the recommendation of suitable candidate, the Nomination Committee will consider the required mix of skills and experiences, competencies, time commitment, integrity and professionalism represented on Board irrespective of amongst others, sex, race, age, religion or ethnicity.</p> <p>The appointment of Senior Management is very much dependent on diversity in skills, experience, cultural background and personal behaviour.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board does not have a formal policy on gender diversity insofar. The evaluation and selection criteria of a Director are very much depended on the effective blend of knowledge, skills, competencies, experiences and time commitment of the Board member.	
		Nonetheless, the Board is supportive of boardroom or gender diversity as recommended by the Malaysian Code on Corporate Governance and will endeavour to consider suitably and qualified female candidate when comes to appointment of Directors. The Board currently comprises 7 members, out of which 2 are women Director, representing 28.6% of the Board's composition.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	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 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee is entrusted by the Board to identify, recommend and appoint the right candidates to the Board.</p> <p>For new appointments to the Board, the Nomination Committee does not solely rely on recommendations from existing Board members, Management or major shareholders. The Company also utilises external sources available such as industry acquaintance, professional associates and consultants. All appointments of new Directors are subject to the screening and proper recommendations of the Nomination Committee prior to consideration and approval of the Board.</p> <p>There was no new appointment of Director for the financial year ended 30 June 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by Datuk Ismail Bin Abdullah who is an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through its Nomination Committee, has in place a formal evaluation process to assess the effectiveness of the Board and Board Committees as a whole as well as each individual Directors' performance. The process is internally facilitated and conducted through self-assessment evaluation forms circulated by the Company Secretary to the Board. The Nomination Committee will review the results and share the outcome of the evaluation with the Board.</p> <p>The effectiveness of the Board as a whole is assessed based on Board composition and quality, Board development, Board strategy and risk management, Board & Management relations, succession planning and Board meetings and procedures. This exercise will assist the Board to identify gaps, maximise strengths and address weaknesses towards continuously improving the effectiveness of the Board.</p> <p>The assessment of individual Directors' performance and contribution covered matters relevant to Directors' effective behaviour and relationships, knowledge of the organisation and environment as well as governance role to discharge their respective roles as Directors of the Company.</p> <p>The Nomination Committee has conducted an annual assessment in August 2019 to evaluate the effectiveness of the Board as a whole, its Board Committees and the performance of each individual Directors for the financial year ended 30 June 2019 and was satisfied with the evaluation outcome. The results and comments from the evaluation will be documented and later presented to the Board for deliberation.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group Human Resources Department has put in place the Salary System and Administration Policy applicable across the entire Group. It aims to attract, retain and motivate Directors and executives needed to lead the Group effectively. The said Policy was approved by the Remuneration Committee on 24 August 2018 and is made available on the Company's website at www.kwantas.com.my.</p> <p>The Remuneration Committee will continue to review the Salary System and Administration Policy whenever necessary to ensure its effectiveness.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The principal objective of the Remuneration Committee is to assess and review the remuneration packages of the Board and Senior Management to be in line with the business strategy and long-term objectives of the Company.</p> <p>The Remuneration Committee advocates a fair and transparent remuneration system to attract, develop and retain high quality Directors needed to run the Company successfully.</p> <p>The Non-Independent Executive Directors are paid salaries, allowance and performance-based incentive. The salary level for such Directors takes into account the nature and scope of the role, complexity of the role and typical market practice. The Independent Non-Executive Directors are remunerated by way of Directors' fees for the services rendered. The level of Directors' fees paid for the Independent Non-Executive Directors shall reflect the level of responsibilities and contribution undertaken by the respective Independent Non-Executive Directors. The Independent Non-Executive Directors will not only be reimbursed for their travelling expenses, hotel accommodation and other related expenses necessarily expanded by them to discharge their duties within the business of the Company, meeting allowances will also be accorded to them for attending the Board and Board Committee's meetings.</p> <p>The Terms of Reference of the Remuneration Committee are available on the Company's website at www.kwantas.com.my.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The remuneration of each individual Directors on named basis is disclosed in compliance with Malaysian Code on Corporate Governance on page 51 of the Annual Report 2019. Remuneration of individual Directors consists of fees, salary, bonus, benefits in-kind and other emoluments.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Upon careful consideration and deliberation, the Board is of the view that the disclosure in accordance with Practice 7.2 is not in the best interest of the Company and has decided to disclose the top 5 Senior Management personnel's remuneration on aggregate basis without being named and in each successive band of RM50,000.00. This is to preserve confidentiality, maintain internal harmony working environment and avoid instances of talents for highly competitive markets in the industry being poached by competitors. The non-disclosure of the identity of the Company's top 5 Senior Management personnel should not prejudice the interest of the stakeholders.	
		The remuneration of the Senior Management personnel is made up of fixed salary, bonus and benefits-in-kind. The basis of determination has been consistently applied and is based on individual performance, qualification and experience, overall performance of the Company and benchmarked against other competitors in the similar industry.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman of the Audit and Risk Management Committee and the Board is held by different persons. The Chairman of the Audit and Risk Management Committee is held by Mr Ooi Jit Huat, who is a Chartered Accountant of Malaysian Institute of Accountants and a member of Malaysian Institute of Taxation.</p> <p>The Chairman of the Board is under the leadership of Datuk Ismail Bin Abdullah.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Terms of Reference of Audit and Risk Management Committee has encapsulated the requirement in Practice 8.2 that a former key audit partner has to observe a cooling-off period of at least 2 years prior to the appointment as a member of the Audit and Risk Management Committee. A copy of the revised and amended Terms of Reference is accessible via the Company's website at www.kwantas.com.my.</p> <p>Currently, none of the members of the Audit and Risk Management Committee is a former key audit partner.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit and Risk Management Committee will review the suitability, objectivity and independence of the external auditors on an annual basis. Members of the Audit and Risk Management Committee, Head of Accounts Department together with the senior staff and Head of Internal Audit will be invited to join the assessment on the suitability and independence of external auditors based on the following major areas:-</p> <ul style="list-style-type: none">(i) Quality of service;(ii) Sufficiency of audit firm resources;(iii) Communication and interaction; and(iv) Independence, objectivity and professionalism <p>The Board has also formalised a set of policies and procedures which outlines the guidelines and procedures needed by the Audit and Risk Management Committee to assess and monitor the performance, suitability and independence of external auditors, amongst others such as :</p> <ul style="list-style-type: none">(i) Selection criteria and appointment process;(ii) Independence;(iii) Non-audit services;(iv) Annual audit planning; and(v) Annual performance and independence assessment <p>In August 2019, the Audit and Risk Management Committee had assessed and reviewed the suitability, objectivity and independence of the external auditors, Messrs PKF for the financial year under review and was satisfied that Messrs PKF were sufficiently resourced and had demonstrated their objectivity, independence and proficiency in carrying out the audit in accordance with the audit scope and plan. The external auditors, Messrs PKF had also provided a formal written statement that they had been independent throughout the audit engagement in respect of the financial year under review.</p> <p>Having considered all the above criteria, the Audit and Risk Management Committee recommended to the Board for approval of the re-appointment of Messrs PKF as external auditors of the Company</p>

	for which shareholders' approval will be sought at the forthcoming Annual General Meeting.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit and Risk Management Committee comprises solely of Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied	
Explanation on application of the practice	:	All members of the Audit and Risk Management Committee are financially literate. The Chairman Mr Ooi Jit Huat is a Chartered Accountant of the Malaysian Institute of Accountants and is also the managing partner of a public accounting firm, Russ Ooi & Associates. The profiles of the members are provided in the Annual Report 2019. All members of Audit and Risk Management Committee attend regular trainings to keep abreast with latest developments in accounting and auditing standards, practices and rules.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the importance of maintaining a sound risk management and internal control system and has adopted an internationally recognised COSO Enterprise Risk Management framework as the basis to maintain a structured, systematic and robust integrated internal control to identify, manage and monitor significant risks that may hamper the mission and business objectives of the Group.</p> <p>The Board has appointed the Audit and Risk Management Committee to oversee and review the effectiveness of the Group's risk management and internal control framework which are designed to monitor the risk appetite of the Group's operations, at the same time ensuring an effective internal control function is in place.</p> <p>The Statement on Risk Management and Internal Control outlined in the Annual Report 2019 provides an overview of the Group's risk management framework and internal control system for the financial year under review.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	Descriptions of the key features of the risk management framework and internal control are outlined in the Statement on Risk Management and Internal Control found in the Annual Report 2019.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has in place an independent internal audit function to assist the Audit and Risk Management Committee in maintaining a system of internal control to safeguard shareholders' investment and the Group's assets. The risk based internal audit planning memorandum that comprises internal audit coverage and scope of work will be presented for approval annually. Internal audit reports encompassing the details of the audit findings together with its recommendations will be presented to the Audit and Risk Management Committee during the quarterly meeting.</p> <p>Functionally, the internal audit reports directly to the Audit and Risk Management Committee whilst administratively to the Group Chief Executive Officer. Independence is strictly observed to ensure an effective internal audit function.</p> <p>The performance of Head of Internal Audit will be appraised by the Audit and Risk Management Committee whilst the performances of other internal audit team will be evaluated by the Head of Internal Audit to be subsequently tabled for the Audit and Risk Management Committee to assess the adequacy of resources and competency of the internal audit team.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The in-house Group Internal Audit Department (“GIA”) is established to assist the Board to safeguard the shareholders’ assets and interests by maintaining a robust internal control system. The Group has a well resourced GIA to run the department’s task. Assessment has been made to every team member upon joining the Group and affirmed that all the members are free from any relationship or conflict of interest which may affect the team’s independency in performing audit assignment.</p> <p>The GIA is staffed by a total of 4 team members including the Head of the GIA. Among them are members of degree holders from accounting background and also plantation disciplines, ranging from 5-10 years of working experience.</p> <p>During the financial year ended 30 June 2019, there were 3 personnel in the department headed by Mr Harold Teo, an ACCA (Association of Chartered and Certified Accountant) and Accounting Degree holder from Oxford Brookes University, UK. He possessed 8 years of external audit working experience. He exposed to various industries for audit such as oil and gas, trading, plantation and others throughout his career.</p> <p>In performing internal audit function, GIA is guided by Institute of Internal Auditors’ International Standards for the Profession Practice of Internal Audit framework. The particular audit assignment will also make reference to other standards by quoting the relevant act.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to provide clear and regular communications to its shareholders and institutional investors to enable them to exercise their rights. The Company has in place its Investor Relations who will guide and steer proper communications to all stakeholders.</p> <p>The Company's Annual General Meeting is used as a principal forum for disclosure and interaction with the shareholders. The Board encourages shareholders' participation by having an interaction question and answer session during the Annual General Meeting.</p> <p>The timely release of financial results on a quarterly basis and the publication of Annual Report provide the shareholders and other stakeholders with an overview of the Group's business and financial performances.</p> <p>The Company maintains an official website www.kwantas.com.my where all the Company's announcements submitted via Bursalink, Board Charter, Terms of References of Audit and Risk Management, Nomination and Remuneration Committees as well as other corporate information are made available and accessible by the public.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not classified as a "Large Company" under the purview of Malaysian Code on Corporate Governance.	
		The Board may consider adopting integrated reporting based on a globally recognised framework when necessary.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company provides at least 28 days Notice of Annual General Meeting to shareholders. Notice of Annual General Meeting that sets out the businesses to be transacted at the Annual General Meeting will be published in a nationally circulated newspaper.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>At the 23rd Annual General Meeting held on 30 November 2018, all Directors of the Company were present in person to engage directly with shareholders.</p> <p>The Chairmans of Audit and Risk Management, Nomination and Remuneration Committee were invited to provide meaningful response to questions posted by the shareholders. Senior Management team and external auditors Messrs PKF were also present to respond to relevant queries posted by the shareholders.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company had only 1,746 shareholders as at 30 June 2019 and hence the Board has yet to explore any possibility to leverage on technology for voting in absentia and remote shareholders' participation at the Annual General Meeting.
	:	Given the existing number of shareholders, participation of shareholders at the general meetings is either by way of attending in person or by proxy. The venue of the general meetings will be held in the Company's registered office address which is an easily accessible location in Kota Kinabalu, Sabah.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

**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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