

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7773
COMPANY NAME : EP MANUFACTURING BHD
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board remains committed to ensuring an appropriate and sound system of corporate governance throughout the Company and its subsidiaries. The Board recognises the key role in providing stewardship to the Group's strategic direction and has assumed the following principal roles and responsibilities in discharging its fiduciary and leadership functions:-</p> <ul style="list-style-type: none">• Establishing the value, vision and mission of the Group;• Reviewing, evaluating and adopting strategic business plans for the Group;• Formalising the company's strategies on promoting sustainability, focusing on economic, environmental, social and governance aspects;• Overseeing and monitoring the conduct of business and financial performance of the Group and evaluate the performance against the strategies;• Reviewing and adopting budgets and financial results of the Group;• Identifying principal risks and ensuring the implementation of appropriate risk management process/framework and adequate internal control systems to identify, analyse, evaluate, manage and control significant financial and business risks;• Establishing and overseeing a succession planning for Board and Senior Management;• Ensuring and implementing an investor relations program or shareholder communications policy for the Group;• Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for regulatory compliance;• Ensuring the integrity of the Company and Group financial and non-financial reporting;• Ensuring that the Group adheres to high standards of ethics and corporate behaviour including transparency in the conduct of business; and

	<ul style="list-style-type: none"> • Working together with management in implementing and promoting good corporate governance culture for the Group. <p>The Board meets 5 times a year. Board meetings are typically schedule a year in advance.</p> <p>To assist in effective discharge of the Board’s stewardship responsibilities, the Board has established Board committees, namely Audit Committee, Nomination Committee and Remuneration Committee which are entrusted to oversee specific Company’s affairs within their respective terms of reference. The Chairman of the various Committees will report to the Board the outcome of their meetings.</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

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 Executive Chairman, Encik Hamidon Bin Abdullah is primarily responsible for the setting of Group's strategic direction and orderly and effective conduct of the Board. Together with the Deputy Executive Chairman and Executive Directors, they are responsible for the overall operational effectiveness and implementation of corporate strategies and decisions of the Board.</p> <p>The responsibilities of Executive Chairman have been clearly specified in the Board Charter.</p> <ul style="list-style-type: none">(a) Leads the Board and ensure effective performance of the Board;(b) Leads the Board Meetings and discussions;(c) Ensure provision of accurate, timely and clear information to Directors for effective conduct of board meetings;(d) Ensure effective communication with shareholders and relevant stakeholders and ensure that their views are communicated to the Board as a whole;(e) Facilitating effective contribution of Non-Executive Directors and ensuring constructive discussions at board meetings;(f) Setting agenda for board meetings with the Company Secretary and ensures all relevant issues are on the agenda;(g) Facilitate regular evaluation of performance of board members, its committees and individual Directors;(h) To ensure that the followings are carried out at board meetings:-<ul style="list-style-type: none">• All directors are properly briefed on issues arising at board meetings.• There is sufficient time allowed for discussion on complex or contentious issues and where appropriate, arranging for informal meetings beforehand to enable thorough preparations.• Allow every board resolution to be voted on and to ensure the will of the majority prevails.• Chairman to cast his votes in accordance with the prescribed articles of association (Constitution) of the Company.(i) Implement and execute policies, strategies and decisions approved by the Board and accountable for the results and performance;(j) Ensure performing financial management practices at high level of integrity and business dealings are carried out in an ethical manner in compliance with the laws and regulations;(k) Managing the interface between Board and Management;

	(l) Leading the Board in establishing and monitoring good corporate governance practices.	
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently the Company has no CEO. The Deputy Executive Chairman, Director of Manufacturing and Director of Finance & Special Project assume the responsibilities of day-to-day management of the Company.	
<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 Secretary of EPMB, Ms. Teo Wei Theng is qualified to act as company secretary under Section 235(2) of the Companies Act 2016. She is a qualified Chartered Secretary and a Member of Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Board members have access to the advices and services of the Company Secretary who is responsible for ensuring proper conduct of board affairs and compliance of applicable laws, rules, procedures and regulations. The Board is regularly updated by the Company Secretary on changes of statutory or regulatory requirements impacting the discharging of the Directors' duties.</p> <p>The Company Secretary attended all Board and Board Committees meetings and ensured that meetings are properly convened, subsequently communicated to the relevant key management personnel for appropriate actions, ensured accurate and proper records of the proceedings and resolutions passed are taken and recorded accordingly.</p> <p>The Company Secretary coordinates the Directors' training and development, managing general meeting and as a focal point for stakeholders' communication and engagement on corporate governance.</p> <p>The Company Secretary update/advise on corporate disclosures in compliance with Company's disclosure policy and procedures, securities regulations, listing requirements and other relevant regulatory authority to ensure timely and transparent disclosure of material information.</p> <p>The Company Secretary constantly keep abreast with the evolving regulatory changes and development in corporate governance and regulations through continuous training.</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>To facilitate the Director's time planning, 2020 annual meeting calendar and the closed periods for dealing in securities by Directors based on the targeted dates of announcements of the Group's quarterly results is circulated during the last quarter meeting held in November 2019.</p> <p>The Board met 5 times during the financial year ended 31 December 2019.</p> <p>The Notice of meetings are sent to Directors and invitees via email at least 7 working days prior to the meeting. The Management is notified on the relevant agenda and the deadline for submission of meeting materials.</p> <p>The Directors are provided with the relevant Board papers at least 5 working days prior to Board and Board Committees Meetings to enable them to have overview of matters to be discussed or reviewed at the meetings. This enables the Board to make informed decisions on corporate and business issues under consideration.</p> <p>The Company Secretary is responsible in ensuring the meeting procedures are followed, minutes of meetings are well documented, including matters where Directors abstained from voting or deliberation, circulated and confirmed as a correct record by the Board and Board Committees at the following meeting.</p> <p>The signed and confirmed correct Board and Board Committee minutes are entered into minutes books and keep in accordance with statutory requirements.</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 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 Charter provides guidance in respect of the Board's roles and responsibilities as well as the practices and procedures to be applied by the Board and its committees in discharging their duties effectively.</p> <p>The Board Charter is periodically reviewed by the Board and updated in accordance with the needs of the Company to ensure that it remains consistent with the Board's objectives, current laws and practices.</p> <p>The Board Charter is published on the Company's website at www.epmb.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

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 formalised a Code of Conduct (“the Code”) which is incorporated in the Board Charter, setting out the standard of conduct expected from Directors and Senior Management. The Code relies on principle in relation to honesty, integrity, professionalism, independence, accountability, responsibility, transparency and fairness, competence and confidentiality which are embedded into the Group’s business operations and corporate culture.</p> <p>The Board has reviewed the Code periodically to ensure it remains relevant and appropriate.</p> <p>Apart from the above, notice of closed periods for dealing in securities by Directors and Principal Officers based on the targeted dates of announcements of the Group’s quarterly results is also circulated to the Directors and Principal Officers on a quarterly basis.</p> <p>The Code of Ethics for employees promotes integrity and ethical behaviour in all aspects of the Company’s operations and also set out the prohibited activities and the action taken on any improper conduct.</p> <p>The Board will formulate a Code of Conduct to cover a wider range of stakeholders to integrate greater ethical standard into company-wide operation.</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 the whistle blowing policy which provides an avenue for employees and other stakeholders (shareholders, suppliers, customers, partners and business associates) to raise genuine concerns of any unethical behaviour, misconduct, violation of code of conduct, malpractice, or non-compliance of policies at the earliest opportunity, in good faith and in accordance with clear procedural guidelines so that issues could be addressed to the appropriate person and proper course of actions could be taken, and also to protect such employees and other stakeholders who report such allegations.</p> <p>Any concern/report from employees should be raised with his immediate superior. If the above is not possible or appropriate for any reasons, then the concern should be reported to the Management Committee and/or Executive Chairman. Investigation report and proposed course of action shall be reported to Audit Committee for deliberation and decision.</p> <p>The Company provides assurance that the whistle blower will be protected from any retaliation or adverse impact on his employment or relationship with the Group, provided that the report is made in good faith and without malice.</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

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>The present Board was made up of nine (9) directors comprising an Executive Chairman, Deputy Executive Chairman, two (2) Executive Directors and five (5) Non-Executive Directors of which four (4) are Independent Directors.</p> <p>Independent Directors comprise 44% (4 out of 9) of current Board composition, satisfy the independence test under Paragraph 15.02 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, that a listed issuer must ensure that at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent directors.</p> <p>The four (4) Independent Directors which representing 44% of the Board, demonstrate independence of judgment and ensure board decisions are made objectively in the best interests of the Company.</p> <p>The Directors have a wide range of business, legal, manufacturing, finance and technical experience. The Board acknowledges that a well-balanced board will benefit the Group in promptly appraising matters and to competently arrive at decisions which will enhance the performance of the Group.</p> <p>The Board is mindful of the recommendation of the MCCG that the Board must comprise of at least half being independent directors.</p> <p>The Board is of the view that the current Independent Non-Executive Directors have the experience and business acumen to carry sufficient weight in the Board’s decisions and act in the best interests of the shareholders.</p> <p>The Board, with the Nomination Committee is continuously searching suitable candidates to be appointed as Independent Director of the Company to bring the level of Independent Director on the Board to a majority level and achieving MCCG’s requirement of at least half of the Board comprises Independent Directors.</p>

	Alternatively, utilisation of independent sources (eg: directors' registry, open advertisement, independent search firm etc.) to identify suitable qualified candidates as Independent Director may take into consideration.	
<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 4.2

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
Explanation on application of the practice	:	<p>The Board noted the Malaysian Code on Corporate Governance ("MCCG") recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board as an Non-Independent Director subject to the Director's re-designation. In the event such Director is to be retained as an Independent Director, the Board must justify and seek shareholders' approval annually for a person who has served in that capacity for more than nine (9) years.</p> <p>If the Board continues to retain the Independent Director after year twelfth, the Board should provide justification and seek shareholders' approval annually through a two-tier voting process.</p> <p>The Nomination Committee and Board had at the annual assessment, reviewed and recommended the retention of Dato' Ikmal Hijaz Bin Hashim ("Dato' Ikmal") who has served on the Board for more than nine (9) years as an Independent Non-Executive Director (INED) and Encik Shaari Bin Haron who has served for a cumulative terms of more than twelve (12) years as INED, subject to shareholders' approval at the forthcoming 24th Annual General Meeting.</p> <p>The retention of Encik Shaari Bin Haron as Independent Director will be subjected to a two-tier voting process.</p> <p>The Board will continuously evaluate from time to time the independence of each of its Independent Directors.</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 4.3 - 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>In the nomination and selection process, specific consideration is given to the candidate's skills, knowledge, expertise, experience, age, culture, background, gender, competencies, other directorships, time availability and the overall balance in composition of the Board and in the case of independent director, his ability to discharge such responsibilities or functions as expected from an independent director.</p> <p>After take into consideration of the selection criteria, Nomination Committee will endorse the nominees/candidates for the Board's approval.</p> <p>The Directors, Board Committees and Independent Directors are assessed annually and the findings are consolidated and tabled to the Nomination Committee for review and reported to the Board.</p> <p>The appointment of senior management was also made with due regards for diversity in skills, knowledge, expertise, experience, age, culture, background, gender.</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	:	Applied
Explanation on application of the practice	:	<p>Currently, there is one female Director on the Board of the Company, namely Dr Linden Hamidon and one female from the management team, namely Ms. Ong Tsuey Yun as the Director of Finance & Special Project.</p> <p>The Company had adopted the Diversity Policy which outlined the approach to achieving and maintaining diversity on its Board and Senior Management.</p> <p>The Nomination Committee is mindful of various diversity factors in seeking potential candidates for the new appointment of Director and Senior Management. The Board take into consideration on the candidate's skills, knowledge, expertise, experience, age, culture, background, gender, competencies, other directorships, time availability to maintain a balanced Board composition. The Board views that the board diversity is important to facilitate the decision making process by harnessing different insights and perspectives.</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

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>There was no new appointment of Director in 2019. However, the Company practice transparent procedures in sourcing, identifying and selecting candidates for appointment of Directors. The Nomination Committee recommend to the Board candidates for all Directorships to be filled with no discrimination of any form.</p> <p>The decision for appointment or re-election of directors shall be determined by the Board after considering the recommendation of the Nomination Committee.</p> <p>The Nomination Committee lead the succession planning of the Company.</p> <p>The Company would consider sourcing suitably qualified candidates using other independent sources, when appropriate.</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	:	<p>The Nomination Committee comprises of 4 Independent Non-Executive Directors, chaired by the Independent Director, Encik Shaari Bin Haron:-</p> <p>Shaari Bin Haron (Chairman) Tan Sri Datuk Hussin Bin Haji Ismail Dato' Ikmal Hijaz Bin Hashim Hew Voon Foo</p> <p>The composition of Nominating Committee is set out in its Terms of Reference. The Nomination Committee lead the succession planning of the Company.</p> <p>During the year, Encik Shaari Bin Haron had lead the annual review of Board effectiveness, independent assessment of the performance of each director as well as of Board as a whole and assessment on independent directors are carried out.</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 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 Nomination Committee's primary function is to consider and make recommendation to the Board, candidates for directorships to be filled and carry out assessment of the Board and its Committees.</p> <p>The Nomination Committee met once during the financial year and performed annual assessment and evaluation on the Board and Board Committees, performance and contribution of individual director and the independence of independent directors. The evaluation was conducted via questionnaires for individual director self-assessment and Board Committee assessment. The results of the evaluation were tabled to the Board for their notification.</p> <p>Criteria reviewed include among others, mix of composition, knowledge and experience, personality and calibre, understanding of roles and responsibilities, independence, time commitment and contribution in meetings etc. The Nomination Committee also considered and recommended the re-election of the Directors retired by rotation and retention of independent director whose term had exceeded 9 years and 12 years.</p> <p>The Nomination Committee reviewed and satisfied with the board composition, mix of skills, knowledge and experience and other qualities and competencies of the Directors for effective functioning 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

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 Remuneration Committee develop and establish with the Board a formal remuneration framework and recommends to the Board the remuneration package of the Executive Directors in all forms, drawing outside advice as necessary. The determination of the remuneration package for Non-Executive Directors shall be a matter for the board as a whole.</p> <p>The Remuneration Committee aims to ensure that the remuneration package is robust and effective:</p> <ul style="list-style-type: none"> • to link executive directors' rewards to corporate and individual performance, • to link non-executive directors' remuneration to their experience and level of responsibilities undertaken, • to link senior management's remuneration to their performance, experience and level of responsibilities. <p>The remuneration package shall comprise of a number of separate elements, i.e. salary, fees, allowance, bonus and other non-cash benefits. The individuals concerned should abstain from discussion of their own remuneration.</p> <p>All Directors are provided with Directors' fees, which are approved by the shareholders at the Annual General Meeting.</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

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 Remuneration Committee comprises of 4 Independent Non-Executive Directors:- Shaari Bin Haron (Chairman) Tan Sri Datuk Hussin Bin Haji Ismail Dato' Ikmal Hijaz Bin Hashim Hew Voon Foo</p> <p>The Remuneration Committee shall develop and establish with the Board a formal remuneration framework and recommends to the Board the remuneration package of the Executive Directors in all forms, drawing outside advice as necessary. The determination of the remuneration package for Non-Executive Directors shall be a matter for the board as a whole.</p> <p>The remuneration package comprise of a number of separate elements, i.e. salary, fees, allowance, bonus and other non-cash benefits. The individuals concerned should abstain from discussion of their own remuneration.</p> <p>During the financial year, the Remuneration Committee met once to review the remuneration package of Directors and recommended for Directors' and shareholders' approval for the payment of Directors' Fees and Directors' benefit (if any) from 22 July 2020 until the conclusion of the next Annual General Meeting of the Company.</p> <p>The Term of Reference of the Remuneration Committee is publicly available on the Company's website at www.epmb.com.my.</p>
Explanation for departure	:	

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

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 breakdown of individual directors includes fees, salary, bonus, benefit in kind and others emoluments is set out in the table below: -									
		Received from the Company				Received on Group basis				
	Director	Salary RM	Fee RM	Bonus RM	Benefit in kind & others RM	Salary RM	Fee RM	Bonus RM	Benefit in kind & others RM	
	1. Hamidon Bin Abdullah	-	50,000	-	-	804,000	50,000	-	119,718	
	2. Zulkefly Baharuddin	-	50,000	-	-	367,758	50,000	92,007	77,407	
	3. Dr Linden Hamidon	-	50,000	-	-	-	50,000	-	-	
	4. Johan Bin Hamidon	-	50,000	-	-	-	50,000	-	-	
	5. Aidan Hamidon	-	50,000	-	-	180,000	50,000	-	25,864	
	6. Shaari Bin Haron	-	50,000	-	-	-	50,000	-	-	
	7. Dato' Ikmal Hijaz Bin Hashim	-	50,000	-	-	-	50,000	-	-	
	8. Tan Sri Datuk Hussin Bin Hj Ismail	-	50,000	-	-	-	50,000	-	-	
	9. Hew Voon Foo	-	50,000	-	-	-	50,000	-	-	
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	:	<p>There is no disclosure of Senior Management's remuneration in name basis at current stage. The Board is of the opinion that the disclosure of Senior Management's remuneration on a named basis and the various remuneration components would not be in the best interest of the Group due to confidentiality and security concern.</p> <p>The Board decided to disclose Senior Management's remuneration in bands width of RM50,000 as set out in the table below: -</p> <table border="1" data-bbox="544 1122 1391 1238"> <thead> <tr> <th>Received on Group basis</th> <th>Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM300,000 – RM350,000</td> <td>1</td> </tr> <tr> <td>RM450,000 – RM500,000</td> <td>1</td> </tr> </tbody> </table> <p>The Company also believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's Senior Management.</p>		Received on Group basis	Senior Management	RM300,000 – RM350,000	1	RM450,000 – RM500,000	1
Received on Group basis	Senior Management								
RM300,000 – RM350,000	1								
RM450,000 – RM500,000	1								
<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 7.3 - 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 Committee is an independent director, who is not the Chairman of the Board, so as not impair the objectivity of the board's review of the Audit Committee's findings and recommendations.</p> <p>The Audit Committee currently comprises of four (4) members of which all are Independent Non-Executive Directors, complied with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-</p> <p>Shaari Bin Haron (Chairman) Tan Sri Datuk Hussin Bin Haji Ismail (Member) Dato' Ikmal Hijaz Bin Hashim (Member) Hew Voon Foo (Member)</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 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	:	None of the members of the Audit Committee were former key audit partner. The Terms of Reference of the Audit Committees stated that no former key partner of the Company's External Auditors shall be appointed as a member of the Audit Committee unless the said partner has observed a cooling-off period of at least two years before being appointed as a member of the Audit Committee.	
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>In the fourth quarter, the External Auditors, Messrs KPMG PLT presented to the Audit Committee their Audit Plan which outlined the engagement team, audit scope, audit timeline, major audit findings, significant risks areas, key audit matters and highlighted on Auditors Reporting Standards to the auditor's report.</p> <p>The External Auditors also reported to the Committee their policies, ethics and systems implemented to maintain independence and objectivity in discharging their professional responsibilities.</p> <p>During the financial year, the Audit Committee had performed annual evaluation on the performance of the External Auditors. In addition, private sessions with External Auditors were also conducted by Audit Committee.</p> <p>Based on the annual assessment conducted for the financial year under review, the Audit Committee was satisfied with the performance and independence of the External Auditors. The Audit Committee has recommended for Board's approval on the re-appointment of the External Auditors and their audit fee.</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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises wholly of Independent Non-Executive Directors. Shaari Bin Haron (Chairman) Tan Sri Datuk Hussin Bin Haji Ismail (Member) Dato' Ikmal Hijaz Bin Hashim (Member) Hew Voon Foo (Member)

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	:	<p>The Audit Committee members are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. The members are also sit on the audit committee of other public listed companies.</p> <p>Mr. Hew is a member of the Malaysian Institute of Accountants (“MIA”) and a fellow member of Chartered Institute of Management Accountants (“CIMA”).</p> <p>The Audit Committee had undertaken financial literacy and would continue update their knowledge and to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.</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

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 its responsibility for maintaining a sound system of internal control and risk management. The Group has established a process to identify, evaluate and manage significant risks which has been integrated and embedded into the Group operations and is continuously reviewing its adequacy and effectiveness to safeguard shareholders’ investment and Group assets.</p> <p>The Group outsourced its internal audit function to a professional service provider. The Internal Auditors conducted independent audit on the departments and functions within the Group and reported their findings to the Audit Committee during its quarterly meetings.</p> <p>A Statement on Risk Management and Internal Control of the Group is set out in the Annual Report.</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

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	:	<p>Adequacy and effectiveness of the key risk management and internal control processes are reviewed and disclosed under the Statement on Risk Management and Internal Control of the Company's Annual Report.</p> <p>The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its responsibility to establish and maintain a sound system of risk management and internal control for the Group and affirm its commitment for reviewing the adequacy and integrity of the system and the effectiveness of the risk management practices to safeguard the shareholders' investments and the Group's assets. The system encompasses policies, processes, activities and practices which are structured to facilitate effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial and compliance risks to achieve the Group's objectives.</p> <p>A Statement on Risk Management and Internal Control of the Group is set out in the Annual Report.</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 9.3 - 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 Group outsourced its internal audit function to a professional service provider. The Internal Auditors conducted independent audit on the departments and functions within the Group and reported their findings to the Audit Committee during its quarterly meetings.</p> <p>The Internal Auditors are free from any relationships or conflict of interest, which could impair their objectivity and independence of the internal audit function.</p> <p>During the financial year, the Audit Committee had performed annual evaluation on the performance of the Internal Auditors. The Audit Committee in the opinion that the internal audit function is able to function independently.</p> <p>The Internal Auditors review the various business processes, identify risks and internal control gaps, assess the state of control of the selected key functions and recommends improvement measures to the internal control process. Follow-up audits are also carried out to ensure weaknesses identified have been rectified and improvement or corrective actions have been or are being carried out. Audit plan setting out the audit coverage and scope of work and the quarterly audit reports are tabled for adoption and review by the Audit Committee and Board.</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

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 internal audit function of the Group is outsourced to an independent professional service provider, Sterling Business Alignment Consulting Sdn Bhd (“Sterling”), where Sterling is a Corporate member of IIAM, The Institute of Internal Auditors Malaysia. Sterling reports directly to the Audit Committee. The internal audits are free from any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit function.</p> <p>The Internal Auditors carried out regular and systematic reviews and provided independent and objective assurance on the adequacy and effectiveness of the internal control of the operational functions audited. The Internal Auditors adopt a risk-based audit approach, focusing its audit mainly on key processes and principal risk areas of the operational units.</p> <p>During the financial year, the Internal Auditors reviewed and evaluated the internal control environment of various operating functions within the Group in accordance with the audit plan and communicated their findings together with recommendations for the Management’s corrective and improvement actions. The Internal Auditors reported to the Audit Committee on quarterly basis of their audit findings, recommendations, management responses and follow-up matters from previous reports.</p> <p>During the financial year, the Audit Committee had performed annual evaluation on the performance of the Internal Auditors. The Audit Committee was satisfied with the competency, experience and resources of the internal audit function for discharging its role and responsibilities.</p> <p>A statement on Internal Audit Function and Processes is disclosed in the Statement on Risk Management and Internal Control of the Company’s Annual Report.</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 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company recognises the importance of effective communications and maintaining constructive relationship with its shareholders, investors and other stakeholders. The Board practices transparency and accountability by ensuring timely dissemination of material information relating to the Group's business activities, major development and financial performance via annual reports, quarterly financial results, announcement to Bursa Malaysia, circular to shareholders and corporate website.</p> <p>The Board Members, Senior Management and the Company's External Auditors attended the Annual General Meeting ("AGM"). The Board will ensure shareholders are given opportunity to speak and raise questions during the Company's AGM. The shareholders are also make informed voting decisions at general meeting.</p> <p>The Company is committed to ensure that the communication and dissemination of material information pertaining to the Group performance and operations to the shareholders, stakeholders, regulators, analysts, media and investing public are timely, accurate, factual, informative and in accordance with the applicable regulatory and legal requirements.</p> <p>Whilst ensuring timely disclosure of information to its shareholders, the Board is wary of the regulatory requirements on release of material and price-sensitive information. Such information will be disclosed to the public as soon as practicable after due consideration through Bursa Malaysia announcements.</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 11.2

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	:	Not applicable as the Company is not a large company as defined by the MCCG.	
<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 12.1

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	:	<p>The Company Annual General Meeting (“AGM”) to be held on 21 July 2020 and notice is dated 17 June 2020, which is more than 28 days notice prior to the AGM. The notice of AGM included details and relevant explanatory notes to the resolutions proposed to enable the shareholders to make informed decisions in exercising their voting rights.</p> <p>The Notice of AGM will be announced to Bursa Securities and published in a national daily on the day the Annual Report is dispatched to the shareholders.</p> <p>General Meetings are important avenues for shareholders to exercise their rights and to access and engage in dialogue with the Board and Management. Shareholders are encouraged to participate and raise their concerns and to exercise their voting rights on the proposed resolutions. The outcome of voting on the proposed resolutions will be released via Bursalink to 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

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>All Directors attended the Annual General Meeting held on 31 May 2019. The Chairman of the Board Committees and Senior Management are also present to provide response if there are any questions addressed to them.</p> <p>The Chairman provided sufficient time and appropriate responses on issues raised. External Auditors also present to provide their professional and independent advice on relevant issues raised.</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	:	<p>In 2019, the Company's Annual General Meeting has been held in The Saujana Hotel Kuala Lumpur and not in remote location. The Shareholders are also entitled to appoint representative or proxy(ies) or the Chairman of the meeting to attend and vote at the General Meeting on their behalf in their absence. The use of electronic voting is not imperatives.</p> <p>The Board in view that the Company does not have large number of shareholders and did not in the past held meeting in remote area.</p> <p>Shareholders are allowed to appoint proxy/proxies to attend, speak and vote in the Annual General Meeting.</p> <p>In 2020, the Company will hold its upcoming 24th Annual General Meeting on fully virtual and entirely via remote participation and voting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**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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