

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0108  
**COMPANY NAME** : N2N Connect Berhad  
**FINANCIAL YEAR** : December 31, 2017

## OUTLINE:

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

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group is led and controlled by an effective Board consisting of professionals and competent individuals of caliber with diverse backgrounds, expertise and experience in various fields such as business, technical, marketing and finance considered suitable for managing the Group's businesses.</p> <p>The Board is charged with amongst others, the development of corporate objectives and the review and approval of corporate plans, overseeing the conduct of the Company's business, acquisitions and disposal of undertakings and properties of substantial value, major investments and financial decisions and changes to the management and control structure within the Group including key risk management, treasury, financial and operational policies and delegated authority limits.</p> <p>During the financial year ended 31 December 2017, the Board has successfully completed the acquisition of N2N-AFE (Hong Kong) Limited.</p> <p>The role of the Board are also outlined in its Board Charter available on the Company's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board Charter sets out principles for operation of the Board and has clear division of responsibilities and powers between the Chairman and the Managing Director.	
		The Chairman is responsible to ensure that the Board functions properly with appropriate corporate governance practices and procedures.	
		The Board is currently looking for suitable candidate to fill the position of the Chairmanship arising from the retirement of the previous Chairman.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The distinct and separate roles of the Chairman and the Managing Director are clearly stated in the Board Charter. The position of the Chairman and the Managing Director are to be held by 2 different persons.	
	:	The Board is currently looking for suitable candidate to fill the position of the Chairmanship arising from the retirement of the previous Chairman.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by 2 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.</p> <p>The Directors are also regularly updated by the Company Secretaries on new statutory and regulatory requirements concerning their duties and responsibilities as and when necessary.</p> <p>All Directors have direct access to the advice and services of the Company Secretaries who ensure that all appointments are properly made and that all necessary information is obtained from the Directors in order to ensure compliance with ACE LR and other regulatory requirements.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Annual meeting calendar with scheduled dates for meetings is prepared and circulated at the beginning of each new year.</p> <p>The Directors are provided with all relevant information with sufficient time prior to the date of scheduled Board Meetings. The Notice of Board Meeting are sent out via email at least 7 days prior to a meeting.</p> <p>Deliberations and decisions at Board and Board Committees are documented in the minutes, and properly maintained and distributed by the Company Secretary.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter is published on the Company's website and it is subject to annual review.</p> <p>The last review was done in April 2018 whereby some amendments were made to align changes arising from the amendment to the Companies Act 2016, ACE LR and the MCCG 2017 amongst others.</p> <p>The Board Charter clearly outlined the roles and responsibilities of the Board, Board Committee and Management.</p> <p>Item 3 of the Board Charter outlined the issues and decisions reserved for the Board's review, some of which have been deliberated and considered at various Board Meetings held during the financial year.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has a Code of Conduct ("COC") published on its website.  The COC for Directors covers areas relating to Directors' duty to act, accountability, conflict of interest, confidentiality and honesty amongst others.  The COC for employees mainly sets out expected performance of the employees and the restrictions on improper conduct or prohibited activities.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Whistle Blowing Policy and Procedures which provides an avenue for a person to report on irregularities, suspected fraud or criminal offences, improprieties, breach of confidentiality and failure to comply with legal or regulatory requirements.</p> <p>The reporting is to be directed to the Chairman of the Audit Committee or the Managing Director, who will review and follow through any reported allegations.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board comprises 8 Directors, i.e. 4 Independent Non-Executive Directors (“INEDs”), 2 Non-Independent Non-Executive Directors, the Managing Director and 1 Executive Director.</p> <p>The assessment of independence of the INEDs are conducted on an annual basis via self and peer assessments and forms of declaration of independence.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	The Board has adopted the guidelines that Independent Non-Executive Director's tenure does not exceed a cumulative term limit of 9 years.  If the Board intends to retain an Independent Director beyond 9 years, it shall seek the shareholders' approval at an AGM.  At the forthcoming 2018 AGM, Datuk Tan Boon Leng who has served the Board for more than 9 years, will seek shareholders' approval to continue serving as an Independent Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nomination and Remuneration Committee (“NRC”) is tasked to review candidates for Board appointment. In conducting their review, the NRC will carry out processes in assessing the existing composition of the Board and its collective strength, the candidate’s skill sets, expertise, experience as well as the integrity, existing commitments and potential conflict of interests.</p> <p>The NRC has used these guided measures in recommending candidates for appoint to the Board.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board does not have any gender diversity policies and targets or any set measures to meet any targets. The Group is an equal opportunity employer and all appointments are based strictly on merits and are not driven by any racial or gender bias.	
		Currently, there are two (2) female Directors on the Board. When the need arises, the Board would give more weightage on the appointment of female Directors to the Board and senior management. However, the Board would want to avoid the pitfall of tokenism which is not in the best interest of the Group.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nomination and Remuneration Committee (“NCR”) does an annual review of the composition of the Board and makes recommendations to the Board accordingly. The Committee is satisfied with the current size of the Board and with the mix of qualifications, skills &amp; experience of its Board members.</p> <p>The Committee is also open to referrals from external sources when Board vacancies arise.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The current Chairman of the Nomination and Remuneration Committee is Datuk Tan Boon Leng, an Independent Non-Executive Director of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	An assessment on the effectiveness of the Board, Board Committees, and each individual director is carried out annually.  The objective is to improve the Board's effectiveness by identifying gaps, maximise strengths and address weaknesses.  The Nomination and Remuneration Committee ("NRC") oversees the overall evaluation process.  The results of the evaluation were presented to the NRC and Board at their respective meetings.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination and Remuneration Committee (“NRC”) is tasked to review and recommend to the Board the remuneration package of the Executive Directors (“EDs”) and Non-Executive Directors (“NEDs”).</p> <p>The Board when deliberating the total remuneration package of the EDs will ensure that the level of remuneration is generally set to attract, retain and motivate EDs. The component of the remuneration are therefore structured to link the remuneration package with corporate and individual performance of the same industry.</p> <p>The NEDs are remunerated with fees in accordance with the experience, expertise and level of responsibilities undertaken by the NEDs.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has merged the Nomination Committee and Remuneration Committee (NRC) on 30 March 2017. The NRC comprises wholly of Non-Executive Directors. The Terms of Reference of the NRC are available at the Company's website.</p> <p>The Board is satisfied that the NRC has discharged its roles and responsibilities with respect to its functions, which include the review of remuneration package for the Board and Board Committees.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has started to make disclosures of the Directors' Remuneration on a named basis in the 2017 Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company had disclosed the top five senior management's remuneration component in bands width of RM50,000 but not on named basis due to confidentiality and sensitivity of each remuneration package.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit Committee ("AC") comprises 3 members who are Non-Executive Directors. The AC Chairman, Mr. Oh Kim Sun is a member of the Malaysian Institute of Certified Public Accountants. He is an Independent Non-Executive Director and is appointed as the AC Chairman since 8 October 2015. He is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	None of the members of the Board are former key audit partners within the cooling-off period of 2 years.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee's ("AC") assessment of the suitability, objectivity and independence of the External Auditors ("EA"), Morison Anuarul Azizan Chew ("MAAC") is done on a yearly basis.</p> <p>As part of the EA assessment, the AC will consider the Audit Plan of the EA, including the engagement team, audit timeline, areas of audit emphasis and key audit matters.</p> <p>The EA has provided with written assurance that they had been independent throughout the audit engagement in respect of the Audited Financial Statement ("AFS") of the Group for the financial year ended 31 December 2017.</p> <p>The AC was satisfied with the suitability of MAAC based on the quality of audit, performance, competency and sufficiency of resources the EA team provided to the Group.</p> <p>The Board had in February 2018 approved the AC's recommendation for the shareholders' approval to be sought at the forthcoming Annual General Meeting to re-appoint MAAC as the EA of the Company for the financial year ending 31 December 2018.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The ACE Market Listing Requirements for the AC members to be Non-Executive Directors with a majority of them being Independent Directors has been adopted in the Terms of Reference of the AC.</p> <p>The Audit Committee ("AC") currently comprises wholly of 3 Independent Non-Executive Directors.</p>

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board reviews the terms of office of the Audit Committee ("AC") members and assesses the performance of the AC and its members annually.</p> <p>Based on the outcome of the AC assessment, the Board is satisfied with the AC's performance as its Chairman and members possess the necessary knowledge, experience, expertise and skills that contributed to the overall effectiveness of the AC.</p> <p>All the AC members attended conferences, courses and trainings to keep themselves abreast of recent developments.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Management is an integral and critical part of risk management in the operations of the Group. The experience, knowledge and expertise of management in identifying and managing risks throughout the financial year under review enables the Group to make cautious, mindful and well-informed decisions through formulation and implementation of appropriate action plans to ensure the accomplishment of the Group’s objectives.</p> <p>Day to day operations in respect of financial, commercial, legal compliance and operational aspects of the Group are closely monitored by the respective Heads of Department and they are delegated with the responsibilities to identify and manage these risks.</p> <p>The deliberation of risks and mitigation responses are discussed during ISMS Committee Meetings and ISM Management Review Meetings. The Company established best practices in Information Security Management System (ISMS) through ISO 27001:2013 since 2014.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company established best practices in Information Security Management System (ISMS) through ISO 27001:2013 since 2014. This best practices include security objectives, policies and procedures, in which risk management is one of it, which covers the following:</p> <ul style="list-style-type: none"> <li>• formal processes for asset tagging, risk identification, assessment, measurement, mitigation as well as the Group's risk appetite and oversight responsibilities of the Board;</li> <li>• identifications of key business and to determine if controls are in place in mitigating the risks identified through a risk treatment plan;</li> <li>• undergo ISO 27001:2013 annual surveillance audit by external certification body to ensure any information risks have been managed and mitigated based on our ISO 27001:2013's policies and procedures.</li> <li>• the management of such risks is an on-going process and existing risk management practices are re-evaluated annually, including the need to revise any existing practices from time to time.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

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

### **Practice 9.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company outsourced its Internal Audit Function to IA Essentials Sdn. Bhd. ("IA").</p> <p>IA perform independently with approved audit plan and report directly to the Audit Committee.</p> <p>The activities carried out by the IA are set out in the Annual Report 2017.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The Company outsourced its Internal Audit Function to IA Essentials Sdn. Bhd. (“IA”) and IA has sufficient resources to carry out their duties.</p> <p>The person responsible for the internal audit is Mr. Chong Kian Soon, who is a chartered member of the Institute of Internal Auditors Malaysia.</p> <p>The internal audit function is carried out in accordance with a recognised framework.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company recognises the importance of being accountable to its stakeholders and investors through maintenance of an open communication policy. In ensuring effective communication, the Company communicates with its stakeholders and investors through various means and forums such as the annual report, company visits, site visits, shareholders' meetings, exhibition and other Group activities.</p> <p>To ensure that shareholders and investors are well informed of major developments of the Group, information is disseminated to shareholders and investors through various disclosures and announcements to Bursa Securities which include quarterly financial results and press release from media. Such disclosures and announcements, as well as information pertaining to corporate governance are also available on the Company's website: <a href="http://www.n2nconnect.com">www.n2nconnect.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not a Large Company as defined by the Malaysian Code on Corporate Governance 2017. The Company will consider adopting integrated reporting if the Directors opined that benefits of the adoption outweigh the cost. Nonetheless, the Board ensures there is continuous communication between the Company and its stakeholders to facilitate mutual understanding of each other’s objectives and expectations, as explained under Practice 11.1 above.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Notice of the 2018 Annual General Meeting (“AGM”) was despatched to shareholders on 30 April 2018, giving notice of more than 21 days before the date of the AGM.	
		The Board will attempt to meet the MCCG guidelines in the next AGM.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All Directors, including the Chairman of the respective Board Committees attend the Annual General Meetings (“AGMs”) of the Company.</p> <p>In addition to the above, members of the senior management and the External Auditors of the Company have also attended AGMs in the past years.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The votings at shareholders' meetings are to be conducted on a poll in accordance to the ACE LR. The Registrar acts as the Poll Administrator to conduct the polling process and the appointed Scrutineer will verify the poll results.</p> <p>The Company is currently exploring suitable system to facilitate voting in absentia and remote shareholders' participation at General Meetings ("GMs").</p> <p>The Company will be seeking shareholders' approval in due course to allow GMs to be convened at more than 1 venue using technology that will enable shareholders participation in accordance to the Companies Act 2016.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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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