

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7198
COMPANY NAME : SAND NISKO CAPITAL BERHAD
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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board's role is to conduct the Group in the best interests of the shareholders. In this regard, the Board is collectively responsible for setting the strategic direction and ethical standards within the Group, and ensuring that management complies with the Board's directions. To discharge its duties to shareholders and other stakeholders, the Board assumes, among others, the following responsibilities:</p> <ul style="list-style-type: none">(i) Review and monitor the implementation of the strategic business plans by the management;(ii) Align and approve the corporate objectives and policies of the Group;(iii) Appoint and approve the terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee;(iv) Decide on the acceptable level of risk exposure for the Group;(v) Review the Group's system of internal controls which include the establishment of an appropriate control environment framework for identifying, evaluating and managing significant risks faced by the Group;(vi) Review and assess the Group's financial and operational performances of all operating units and subsidiaries through periodic feedback and reports from the Audit Committee and the management team;(vii) Review and approve the announcement of quarterly and annual financial statements to ensure that the financial statements are drawn up in accordance with applicable approved accounting |

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| | <p>standards in Malaysia so as to give a true and fair view;</p> <p>(viii) Approve annual operating budget, major capital expenditures, material purchase and disposal of assets;</p> <p>(ix) Appoint external auditors as well as determine audit fees, taking into consideration advice from the Audit Committee;</p> <p>(x) Ensure succession planning is in place as part of business continuity and take cognisance that there should be a process of developing suitable programmes in place to ensure that operations at all levels are running smoothly;</p> <p>(xi) Ensure the availability of communication channels for effective feedback and dialogue with stakeholders of the Group; and</p> <p>(xii) Any other duties as may be appropriate.</p> |
| <p>Explanation for departure :</p> | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | |
| <p>Measure :</p> | |
| <p>Timeframe :</p> | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is led by YBhg. Dato' Seri (Dr) Sow Chin Chuan, JP, the Executive Chairman who is capable to lead the Board based on her entrepreneurial leadership and at the same time guided by the independent advice and views from the Independent Directors, who offer the necessary checks and balances in the decision making process of the Board.</p> <p>The Chairman plays an instrumental role in providing leadership to the Board for all aspects of the Board's roles and responsibilities, ensuring that operations conform to the Board's strategic directions, Company's vision and corporate policies, as well as facilitating the communication and understanding between the Management and the Board.</p> <p>The Chairman presides over board meetings and ensures that all directors' views are heard, ensures sufficient time for discussion of each agenda, and provides fair opportunity to all directors to participate actively and constructively during the meetings and discussions.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.3

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The roles of Chairman and Managing Director are exercised by different individuals. A clear segregation of their responsibilities and powers is stated and defined in the Company's Board Charter. Besides ensuring an appropriate balance of power and authority, the segregation of roles facilitates an open exchange of views and opinions between the Board and the Management in their deliberation of the business, strategies and key operations of the Group. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is supported by a qualified and competent Company Secretary who advises the Board on its roles and responsibilities; facilitating the orientation of new Directors and Board communications; assisting in Directors' training and development; monitoring corporate governance developments and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations as well as serving as a focal point for stakeholders' communication and engagement on corporate governance issues.</p> <p>Matters pertaining to statutory and regulatory compliance that affect the Group such as advising the Board on corporate disclosures and compliance with Company and securities regulations and Main Market Listing Requirements will be advised by Company Secretary. The Board Members have unlimited access to the professional advice and services of the Company Secretary.</p> <p>The Company Secretary also manages and attends all Board and Board Committee meetings, as well as annual general meetings ("AGM"), and ensures that meetings are convened according to necessary procedures, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.</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 1.5

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman recognises the importance of a board discussions and together with Company Secretary ensure that all directors are provided with sufficient information and time to prepare for board meetings. The meeting materials is circulated five (5) business days in advance of the board meeting. All board members are responsible to ensure the minutes of meetings accurately reflects the deliberations and decision of the board. Upon conclusion of the meeting, the minutes are circulated in a timely manner for review. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
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Intended Outcome

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

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

Practice 2.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has developed and adopted a formal Board Charter to provide clear guidance on the roles, responsibilities, processes and operations of the Board. The document is provided as compulsory reading material for the induction of new Board members and senior management. The Board Charter is further supplemented by Terms of Reference (“TOR”) of the Audit Committee, Nomination Committee and Remuneration Committee which specify the composition, rights, key functions, roles and responsibilities of respective committees.</p> <p>The Board Charter is available on the Company’s website www.sandniskocapital.com</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 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has developed and adopted a formal Board Charter to provide clear guidance on the roles, responsibilities, processes and operations of the Board. The document is provided as compulsory reading material for the induction of new Board members and senior management. The Board Charter is further supplemented by Terms of Reference ("TOR") of the Audit Committee, Nomination Committee and Remuneration Committee which specify the composition, rights, key functions, roles and responsibilities of respective committees.</p> <p>The Board Charter and the Terms of Reference of its committees are reviewed regularly to ensure they remain consistent with the Board's objectives, current law and best practices. During the year, no revision was made to the Board Charter.</p> <p>The Board Charter was formalised by the Board. It defines the composition of the Board, the responsibilities of the Chairman and Managing Director, the rights of the Board to establish committees to assist in carrying out its duties and responsibilities, the procedure for convening Board meetings, investor relations and shareholders communication, access to information and independent advice and ensures that the Code is observed by all Directors and employees of the Group. The Board Charter is available for reference in the www.sandniskocapital.com</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> | | |

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| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | In line with the Company’s commitment in nurturing and maintaining a culture of openness, integrity and accountability, the Company has established a Whistleblowing Policy. The Whistleblowing Policy provides an avenue for individuals, whether a Company employee or otherwise, to escalate concerns about unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements to the appropriate parties, without fear of reprisal. The Internal Code and the Whistleblowing Policy are available for reference in the www.sandniskocapital.com |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.1

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Board presently consists of 7 members; comprising 3 Executive Director and 1 Non-Independent Non-Executive Directors and 3 Independent Non-Executive Directors. Collectively the Board has a mix of industry-specific knowledge and technical skills which are necessary for the leadership and management of the Group. The composition of the Board is such that it provides an effective check and balance in the functioning of the Board and is reviewed from time to time to ensure its appropriateness. There is balance in the Board represented by the presence of 3 independent non-executive directors who will review and discuss the strategies proposed by the management to ensure that the long-term interests of minority shareholders are taken into consideration. | |
| 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 4.2

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.

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| Application | : | Applied - Two Tier Voting |
| Explanation on application of the practice | : | <p>The Board undertakes an annual assessment of the independence of its independent directors based on the criteria developed by the NC.</p> <p>The tenure of an independent director is capped at a cumulative term of 9 years. An independent director who has served the Group for 9 years may, in the interest of the Group, continue to serve the Group but in the capacity of a non-independent director. The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than 9 years.</p> <p>In the event that the Board deems it beneficial to the Group to retain an independent director beyond 12-year tenure, it will need to justify the recommendation to shareholders and seek shareholders' approval at a general meeting. Such shareholder approval must be given via a two-tier voting process, which entails separate and congruent approvals from Large Shareholder(s)¹ and shareholders other than the Large Shareholder(s).</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> | | |

¹Large Shareholder means a person who:-

- (i) is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the Company;
- (ii) is the largest shareholder of voting shares in the Company;
- (iii) has the power to appoint or cause to be appointed a majority of the directors of the Company; or
- (iv) has the power to make or cause to be made, decisions in respect of the business or administration of the Company, and to give effect to such decisions or cause them to be given effect to.

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| Measure | : | | |
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Intended Outcome

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

Practice 4.3 - Step Up

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

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| Application | : | Adopted |
| Explanation on adoption of the practice | : | <p>The Independent Non-Executive Directors of the Company, Mohd Isa Bin Ismail and Abd Rauf Bin Abd Rahim were both appointed on 17 January 2002 and as at FYE 2019, have been in office as Independent Directors for more than twelve (12) years. Both of them are up for re-election at the forthcoming Annual General Meeting, in line with the requirements in Section 4.2 of the Code.</p> <p>The Board has conducted an assessment of the independence of Mohd Isa Bin Ismail and Abd Rauf Bin Abd Rahim based on the following consideration:-</p> <ul style="list-style-type: none">(i) They understand the main drivers of the business and provide a check and balance and bring an element of objectivity to the Board of Directors;(ii) They continue to be scrupulously independent in their thinking and in their effectiveness as constructive challengers of the Managing Director and Executive Directors; and(iii) They actively participated in board discussion and provided an independent voice on the Board. |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Nomination Committee is responsible for assessing and making recommendations to the Board on the candidature of directors based on recruitment criteria established by the Board. The Committee has the responsibility to ensure that the Board comprises suitably qualified members that demonstrate appropriate qualities and experience that contribute to the effective oversight and stewardship.</p> <p>The Chairman and the Managing Director are responsible for the identification and development of the key Senior Management, as well as to review the succession planning for key management team from time to time. The Chairman and Managing Director shall search for suitable candidates through established channels such as public advertisement or direct approaches being made to individuals who may be suitable or through organisations that may be able to assist in the recruitment process. In selecting the appropriate candidates, the Chairman and Managing Director take into account the candidate's qualification, experience, competence and character.</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 4.5

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board recognises that diversity in Board composition is beneficial for effective discussion and weighing of management issues. The Board and NC strives, in the appointment and re-appointment of Board members, to maintain an optimal balance in terms of members’ background, knowledge and expertise, as well as in terms of demographic indicators such as age, gender and ethnicity. Currently, there are two (2) female members sitting on the Board, standing at 28.6% of overall Board composition. One (2) out of Seven (7) of the Board Members are Malay, representing 28.6% of Board composition. Where suitable candidates are found in future, the Board may seek to increase representation from female members and members of difference races.</p> <p>The Board notes the importance of diversity in the composition of the Board as well as management, however in seeking to fill its vacancies, priority is placed on the knowledge, skills and expertise of potential candidates to yield the optimal synergy with existing members of the Board and staff. Where suitable candidates are found in future, the Board may seek to increase representation from female members and members of different races.</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The appointment of a new Board member is subject to deliberation and approval from the entire Board, with input from the NC. The process of Board nomination and election is as set out below:-</p> <ul style="list-style-type: none">(i) The NC determines qualities required of the candidate, which typically include a specific area of expertise, knowledge, experience, character, independence, gender and ethnicity. At this stage, emphasis is placed on the mix of skill and persona that would best complement the existing Board for optimal effectiveness;(ii) The NC identifies potential candidates by seeking applications from suitably qualified individuals;(iii) The NC interviews selected candidates, setting up a two-way communication so that incoming candidates are clearly informed about the time commitments and other requirements of the role, to manage expectations from both sides; and(iv) The NC evaluates candidates based on the required skill set and persona, subsequently recommends shortlisted candidates to the Board for discussion and approval. <p>The NC acknowledges the principle outlined in Guidance 4.6 of the Code, and in the event that vacancies become available on the Board in future, will broaden its recruitment efforts for new Directors to include a wider range of sources.</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> | | |
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Intended Outcome

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

Practice 4.7

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

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| Application | : | Applied | | |
| Explanation on application of the practice | : | The Nomination Committee comprises exclusively of Independent Non-Executive Directors and is chaired by tan Independent Non-Executive Chairman. | | |
| | | <u>Name of Director</u> | <u>Designation</u> | <u>No. of Meetings Attended</u> |
| | | Kong June Hon | Chairman | 1/1 |
| | | Mohd Isa Bin Ismail | Member | 1/1 |
| | | Abd Rauf Bin Ismail | Member | 1/1 |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The NC has in place a formal evaluation process to assess the effectiveness of the Board as a whole, the Board Committees and the performance of each individual Director on an annual basis.</p> <p>The criteria used for the annual assessment of the Board and Board Committees includes composition and structure, principal responsibilities, processes, adequacy of information, succession planning and governance. For individual Directors, criteria include an assessment on their roles and duties, contributions to interaction, knowledge, integrity and independence.</p> <p>The evaluation involves individual Directors completing questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements can be considered. They also undertook a self-review and peer review in which they assessed fellow Directors' performance. The results were compiled and analysed by the Company Secretary and presented at board meeting. There was no engagement of independent third party in carry out board evaluation.</p> <p>With regards to the assessment for FYE 2019, the Board was satisfied upon completing its assessments that the Board had discharged its duties and responsibilities effectively. The Board also concluded that the Board composition in terms of size, mix of skills and balance between Executive, Non-Executive and Independent Directors were satisfactory.</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> | | |

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| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group's remuneration policy strives to maintain a strong linkage between performance and reward, at the same time to offer remuneration packages attractive enough to recruit and retain talent. The RC operates based on its Terms of Reference, which is available on the www.sandniskocapital.com</p> <p>The RC is tasked to review annually the performance of the Directors and submit recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect individual Directors' respective contributions for the year, and which depend on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year. The RC, whilst establishing the appropriate levels of the Directors' remuneration package for the financial year 2018, has considered the information in the salary survey of comparator listed companies provided from external sources and information from sources within the Company, taking into account external market data, conditions within the business and performance of the Group.</p> <p>Board remuneration is decided by the Board collectively. Individual Directors are to abstain from deliberation and decision-making on their own remuneration package. Individual Directors who are shareholders are made to abstain from voting at general meetings to approve their own fees.</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> | | |

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| Measure | : | | |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The remuneration of Directors falls under the responsibility of the Remuneration Committee ("RC"). Members of the RC currently include: 1) Kong June Hon (Chairman) <i>Independent Non-Executive Director</i> 2) Mohd Isa Bin Ismail <i>Independent Non-Executive Director</i> 3) Abd Rauf Bin Abd Rahim <i>Independent & Non-Executive Director</i> 4) <i>Dato' Seri (Dr) Sow Chin Chuan</i> <i>Executive Chairman</i> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 7.1

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

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | For security reasons, details of individual Directors' remuneration are not shown. The Board will consider disclosing the remuneration of individual directors as and when it is deemed appropriate |
| <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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | While the Code's Principles A III has prescribed for individual disclosure of top five senior management's remuneration packages, the Board has considered and is of the view that the transparency and accountability aspects of corporate governance applicable for top five senior management's remuneration are adequately served by the disclosure as total of RM 179,546 with contribution plan at RM 21,661. | |
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| <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.

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| 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 | : | The Chairman of the Audit Committee is not the Chairman of the Board. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Group has always recognised the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. Hence, there is no such person 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>The Company maintains a proper and transparent relationship with its external auditors through its AC. The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit Committee. The lead audit partner is required to rotate after a maximum of five years. If it becomes necessary to replace the external auditor for performance or independence reasons, the responsibility for the selection, appointment and removal of the external auditor has been delegated to the Audit Committee by the Board pursuant to the External Auditor Policy.</p> <p>During the year, the AC has reviewed and verified the suitability and independence of the external auditors, and as such has on 18 June 2020 recommended the re-appointment of the current external auditors for the financial year ended 31 December 2020.</p> <p>The Audit Committee has considered the provision of non-audit services by UHY during the financial year under review and concluded that the provision of these services did not compromise their independence and objectivity as the amount of the fees paid for these services were not significant when compared to the total fees paid to the external auditors of RM73,000. The non-audit fees incurred for services rendered to the Group by the external auditors and its affiliates for the financial year ended 31 December 2019 amounted to RM5,000.</p> <p>The written assurance from the external auditors with regards to their independence is set out in the Audit Committee's Report of the Annual Report. Other features of the relationship between the AC and the external auditors, including suitability and independence assessment procedures and tools, are disclosed in the Audit Committee Report and the External Auditors Assessment Policy available on the Company's website.</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 exclusively of Independent Non-Executive Directors. |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit Committee consists of three (3) members, all of whom are independent non-executive directors. One of the Audit Committee Member is a Chartered Accountant and has relevant financial experience and expertise to effectively fulfil the role of Audit Committee Chairman.</p> <p>During the financial year, the Nomination Committee had reviewed and evaluated the effectiveness of Audit Committee and each of its members. The Audit Committee was assessed based on quality and composition, skills and competencies, as well as meeting administration and conduct. Based on the results of the assessment, the Nomination Committee was satisfied that the Audit Committee and its members had discharged their functions effectively and had carried out their duties in accordance with its Terms of Reference.</p> <p>During the financial year, all the Directors had participated in various training programs. The particulars of the seminars and courses attended by all the Directors are disclosed in the Corporate Governance Overview Statement of the 2019 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 9.1

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

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>One of the Board's responsibility, aside from providing strategic leadership, is also to ensure that appropriate risk management measures and internal controls are implemented throughout the Group to safeguard assets and protect shareholders' interests.</p> <p>The risk management framework of the Group is overseen by the AC, which ensures that an annual risk management process is carried out to identify, evaluate and manage significant risks of the business. Findings from the process is compiled and tabled to the Board for review and evaluation. Items highlighted to the Board are disclosed in terms of severity, probability of risk occurring, effect of the risk should it occur, and actions currently being taken to mitigate or minimise the risk to acceptable level.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.2

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

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The risk management framework of the Group is overseen by the AC, which ensures that an annual risk management process is carried out to identify, evaluate and manage significant risks of the business. Findings from the process is compiled and tabled to the Board for review and evaluation. Items highlighted to the Board are disclosed in terms of severity, probability of risk occurring, effect of the risk should it occur, and actions currently being taken to mitigate or minimise the risk to acceptable level. | |
| 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 | : | The Audit Committee assumes the role in overseeing and reviewing the effectiveness of the Group's risk management function together with the Management. |

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 internal audit function of the Group is outsourced to Sam & Co., which submits periodic reports directly to the AC covering its assessments of the financial, operational and compliance controls in place in the Group.</p> <p>Details of the Group's internal control system and framework are set out in the Statement on Risk Management & Internal Control 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 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 partner in charge of the internal audit of the Company for the current financial year is Sam Yop Pong, who has more than 30 years' working experience in Corporate Planning, Business Process Improvement, Information Systems Deployment, Risk Management and Internal Audit. Together with Chua Hee Meng, who has no less than 15 years' experience, he has obtained professional qualification and became a member of MIA, ACCA and CTIM.</p> <p>The AC is responsible to ensure that the internal audit function is effective and able to function independently. The appointed internal audit firm and personnel are free from any relationships or conflicts of interest that could impair their objectivity and independence. The appointment and removal, role of internal auditor, scope of the internal audit function, performance evaluation and budget of internal audit are decided by AC and is set out in Audit Committee Report 2019.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 11.1

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

| | |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Application : | Applied |
| Explanation on application of the practice : | <p>The Board is cognisant that effective and timely communication is essential in maintaining good relationship with stakeholder and cultivate trust and understanding between the Group and stakeholders. Other than investor relations function, engagement forums and briefings, the Group leverage on information technology to create ease of access and convenience in all communications for stakeholder.</p> <p>Announcements and other corporate disclosures issued by the Group can be accessed via the Bursa website (www.bursamalaysia.com). Annual reports of the Group are distributed to shareholders within 4 months from the close of the financial year, to give shareholders the most updated view of the Group's financial performance. Where corporate exercises are proposed for shareholders' approval, key documents including the Company's constitution, recent audited financial statements, adviser reports, material contracts and cause papers in respect of material litigation are made available for shareholder perusal.</p> <p>The Board also duly notes the importance of maintaining a current library of updated corporate information available for public access. Further information regarding the updated website will be provided in due course as and when information becomes available.</p> <p>In addition, the address and phone number of the Group is clearly disclosed in the annual report, so that concerned shareholders may easily contact the Group.</p> |
| Explanation for departure : | |
| | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |

| | | | |
|------------------|---|--|--|
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 11.2

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

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | The Company would consider adopting integrated reporting based on globally recognised framework in the near future. |
| | | |
| <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 | : | The Notice of Annual General Meeting for year 2020 ("AGM") to be held on 18 August 2020 was served on 30 June 2020 which is more than 28 days prior to the date of the AGM. | |
| 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 | : | All the directors present themselves at the previous AGMs. The Audit Committee Chairman, the Nomination Committee Chairman and the Remuneration Committee Chairman were being informed that questions relating to the Committee under their purview will be addressed by them accordingly. | |
| 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 | : | Applied |
| Explanation on application of the practice | : | The AGM of the Company is being held at a location in the city area and accessible via public transport. Moving forward, the Company will consider leveraging on technology to facilitate grater shareholders’ participation in general meeting. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

**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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