

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5037  
**COMPANY NAME** : COMPUGATES HOLDINGS BERHAD  
**FINANCIAL YEAR** : December 31, 2018

## 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>	:	The Board discharges its duties and responsibilities that are set out in the Board Charter, with the objective of safeguarding the interest of shareholders and other stakeholders.  The Board Charter is available on the Company's website at <a href="http://www.compugates.com">www.compugates.com</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Chairman, Tan Sri Datuk Asmat bin Kamaludin in leading the Board in its collective oversight of management, is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman: - <ul style="list-style-type: none"><li>• Manages the interface between Board and Management and provides support and guidance to Senior Management Officers to help facilitate management succession planning.</li><li>• Provides leadership to the Board and is responsible for the developmental needs of the Board.</li><li>• Ensures that appropriate procedures are in place to govern the Board's operation.</li><li>• Leads the Board in establishing and monitoring good corporate governance practices in the Company.</li><li>• Chairs General Meetings of the Company and provides clarification on issues that may be raised by the stakeholders.</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

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

### Practice 1.3

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman, Tan Sri Datuk Asmat bin Kamaludin and the Chief Executive Officer, Mr Goh Kheng Peow, hold separate position and their respective roles and responsibilities are governed in the Company's Board Charter. The role of Chairman and CEO, are clearly defined in the Corporate Governance Overview Statement.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by two (2) External Company Secretaries. Both Company Secretaries are qualified to act as Company Secretary under Section 235 of the Companies Act 2016, of which one is a Fellow Member and the other, an Associate Member of the Malaysian Institute of Chartered Secretaries &amp; Administrators.</p> <p>The Company Secretaries are responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.</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>Prior to the Board Meetings, the Agenda for each meeting together with the reports and notices containing information relevant to the business of the meetings (including information on major financial, operational and corporate matters as well as activities and performance of the Group and minutes of Committees of the Board and Board meetings) are circulated to the Board members seven (7) days before the meeting date to provide time for the Board members to read and deliberate the issues. During Board meetings, the Management provides further details on each issue raised for discussion or as supplementary information, and consultants (including the Internal and External Auditors) may be invited to provide further insight.</p> <p>Minutes of a Directors' meeting would be distributed to all Directors on a timely basis for review and thereafter for confirmation at next board meeting. The signed board minutes are entered in minutes books kept 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 has formalised a Board Charter to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect of and on behalf of the Company.</p> <p>The Board would regularly review this Board Charter to ensure they remain consistent with the Board’s objectives.</p> <p>The Board Charter is available on the Company’s website at <a href="http://www.compugates.com">www.compugates.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**

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

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

**Practice 3.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group has in place the Code of Ethics for Directors and employees based on four elements which are sincerity, integrity, responsibility and corporate responsibility.</p> <p>The Code of Ethics is available on the Company's website at <a href="http://www.compugates.com">www.compugates.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**

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 and adopted a Whistleblowing Policy on 26 Feb 2018, to provide an avenue for all employees and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy. And, also to provide protection for the whistle blower from reprisal as a direct consequence of making a disclosure and to safeguard such person’s confidentiality.</p> <p>The Whistleblowing Policy is available on the Company’s website at <a href="http://www.compugates.com">www.compugates.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**

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>	:	The Board comprises two (2) Independent Directors and two (2) Non-Independent Directors.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Tan Sri Datuk Asmat Bin Kamaludin and Encik Mohamed Fauzi Bin Omar have served more than nine (9) years as Independent Directors. The Board through its Nomination Committee ("NC") had conducted an assessment of the independence of all its Independent Directors and is satisfied that the Independent Directors have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements ("MMLR") of Bursa Securities and are able to provide objective and independent judgment in deliberation of the Board's agenda. Based on the Board's assessment, the Board is recommending to put forward a resolution at the forthcoming Annual General Meeting ("AGM") to retain both Tan Sri Datuk Asmat Bin Kamaludin and Encik Mohamed Fauzi Bin Omar as Independent Directors notwithstanding that their tenure as Independent Directors has exceeded the nine (9) years limit as recommended under the Malaysian Code on Corporate Governance ("MCCG"). The Board's and NC's justification to retain Tan Sri Datuk Asmat Bin Kamaludin and Encik Mohamed Fauzi Bin Omar is premised on the following:-</p> <ul style="list-style-type: none"><li>• Both Tan Sri Datuk Asmat and Encik Mohamed Fauzi continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of MMLR;</li><li>• During their tenure in office, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of them to carry out their respective duties. Tan Sri Datuk Asmat is the Chairman of</li></ul>

	<p>the Board, Audit Committee (“AC”), NC, Remuneration Committee (“RC”) and Risk Management Committee (“RMC”) whilst Encik Mohamed Fauzi is a member of the Board, AC, NC, RC and RMC;</p> <ul style="list-style-type: none"> <li>• During their tenure in office, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, the Executive Director, major shareholders or management of the Company (including their family members) within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the MMLR;</li> <li>• During their tenure in office as Independent Non-Executive Directors in the Company, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have not been offered or granted any options by the Company. Other than directors’ fees paid which had been the norm and been duly disclosed in the annual report, no other incentives or benefits of whatsoever nature had been paid to them by the Company;</li> <li>• During their tenure in office, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have demonstrated consistently their integrity, commitment and contributed effectively to the Board’s decision-making process; and</li> <li>• During their tenure in office, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have gained significant and detailed understanding and insights into the business operations, and industry sectors in which the Group operates in. This includes an understanding of the peculiarities, strengths and weaknesses of the industry sectors thereby enabling them to offer a different perspective during the decision-making process which a fresh appointee or a director holding office for a short length of time would not be able to offer.</li> </ul> <p>Both Tan Sri Datuk Asmat’s and Encik Mohamed Fauzi’s tenure in office as Independent Directors have passed nine (9) years and exceeded twelve (12) years. The Board has opted not to adopt the two-tier voting process recommended under MCGG to retain Independent Directors who have served for a cumulative period of twelve (12) years or more.</p> <p>As the two-tier voting process is a recommendation and not mandatory under the MMLR, the Board will seek shareholders’ approval to retain the Independent Directors to serve the Company by way of an Ordinary Resolution passed in accordance with the Company’s existing constitution and the provisions of the Companies Act 2016.</p>
	-
<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>	<p>: The Board is of the opinion that the two-tier voting outlined in the MCCG is not compatible with the provisions in the Companies Act 2016 and the Company’s Constitution, as the right of the shareholders, including the right to vote, shall rank pari passu. An ordinary resolution which is passed by a majority of shareholders must be regarded as having been validly passed as a matter of law irrespective of whether a majority of both the Large Shareholders and other shareholders had voted in favour of such a resolution as required under the MCCG.</p> <p>The Company will continue to monitor and disclose the following:</p> <ul style="list-style-type: none"> <li>(i) any benefits and incentives whatsoever paid to both independent directors;</li> <li>(ii) transactions or services provided to the Company and its subsidiaries, the Executive Director, major shareholders or management of the Company (including their family members) within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the MMLR by both independent directors; and</li> <li>(iii) The Board will justify and seek shareholders’ approval for the retention of both directors as Independent Director at every AGM.</li> </ul>
<b>Timeframe</b>	<p>: Others</p> <p>Please specify number of years.</p>

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<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>	:	The NC will review and recommend to the Board the suitable candidate in respect of mix of skill, knowledge, experience, expertise, independence, diversity (including gender, ethnicity and age) and core competencies needed to facilitate effective functioning of the Board and Management Team.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Compugates is a small company with a small Board comprising of four (4) members only; three (3) male directors and one (1) female 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 4.6**

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>	:	There was no new appointment of Director in year 2018.	
<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 NC is chaired by the Chairman of the Company, Tan Sri Datuk Asmat bin Kamaludin who is 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**

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>	:	The Board through the NC had conducted an annual assessment via questionnaires on the Board and Board Committees. The NC and Board considered the assessment results of the independent of directors and are satisfied that they met the independence criteria.	
<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>	:	The Company has established the RC's Terms of Reference ("TOR") pursuant to the MMLR of Bursa Securities in line with the MCCG and approved by the Board.  The above TOR would be reviewed every 3 years. The TOR is available on the Company website at <a href="http://www.compugates.com">www.compugates.com</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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>	:	The Company has established the RC to review and recommend matters relating to the remuneration of Board and senior management to the Board.  A copy of the TOR is available on the Company website at <a href="http://www.compugates.com">www.compugates.com</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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 details of each individual Director's remuneration comprising fee, salary, bonus, allowance and benefit for the current financial year are disclosed on named basis under the Corporate Governance Overview Statement's Principle A (Board Leadership and Effectiveness) of the 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 takes cognizance of the MCGG recommendations. However, the Board is of the view that the group has a very small top management team and the next level of management would be the Head of Departments. Such disclosure will place the Company in a vulnerable position to competitors as well as to take into consideration internal harmony and confidentiality concerns. As such, remuneration paid to all employees should be kept confidential and should not be disclosed for any reason, other than as requested for appropriate financial reporting purposes.	
	:	-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Chairman of the Board, Tan Sri Asmat is the AC. All 3 members of the AC are non-executive directors and 2 of whom are independent non-executive directors.	
		Tan Sri Asmat has vast expertise and experience in various capacities in the public service as well as private sector.	
		Given the size of the Board, together with Tan Sri Asmat vast expertise and experience, and the counsel and guidance of the other 2 AC members, one of whom is a CPA and MIA member; the Board is of the view that there is more than sufficient independent oversight and competence present in the AC.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**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 is a former key audit partner of the External Auditors that shall be subject to a cooling-off period of at least two years before being appointed as a member of the AC.  The TOR of the AC is available on the Company's website at <a href="http://www.compugates.com">www.compugates.com</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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 AC assessed the suitability, objectivity and independence of the external auditors in accordance with a Framework on the Appointment/Reappointment of External Auditors which was approved by the Board.</p> <p>The Framework is in line with the guidance that follows Practice 8.3 of MCCG.</p> <p>The assessment is carried out annually.</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> :	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 8.5

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>Mr Goh Tai Wai, a member of the AC is a member of the Malaysian Institute of Accountants and a member of CPA Australia as well as a Certified Financial Planner.</p> <p>All the members of AC have extensive experience and are equipped with the business knowledge and skills. The qualification and experience of the individual AC members are disclosed in the Board of Directors' Profile in the Annual Report.</p> <p>All Directors including those on the AC continue to undergo training periodically during the financial year based on individual learning requirements as well as to stay abreast of financial or corporate 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>The functions of the AC have been expanded to ensure risk management and proper internal controls are in place with an adequate awareness and understanding of risk by the Management and to safeguard shareholders’ interest and the Company’s assets.</p> <p>The Board delegates the determination of risk appetite to the RMC and ensures that risk appetite is in line with the Group’s strategy.</p> <p>The information on risk management framework and internal control system are disclosed under the Statement of Risk Management and Internal Control of the Annual Report.</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>	:	The key features of the Company’s risk management framework and internal control system and its adequacy and effectiveness can be found under the Statement of Risk Management and Internal Control in the 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

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

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

### Practice 9.3 - Step Up

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board had on 27 Nov 2017, established a RMC comprising majority of Independent Non-Executive Directors which is chaired by Tan Sri Datuk Asmat bin Kamaludin. The RMC is assisted by Risk Management Working Group ("RMWG") which consists of mainly departmental Heads of the Group. The RMC meets annually and deliberates on top risks identified through the RMWG before forwarding to AC for further deliberation.</p> <p>Both RMC and RMWG are committed to achieve the Group's strategic plans and ensure overall risks are communicated appropriately to all levels.</p> <p>There was no significant risk issue that was above the risk tolerance level of the Board nor any material weakness in the risk management and internal control which could result in any significant losses.</p>

**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 Group has outsourced the internal audit function to an independent professional service provider (“Outsourced IA”) which reports directly to the AC.</p> <p>The AC reviews the work of the Outsourced IA periodically to ensure it provides independent, objective assurance and consulting services to enhance the organisational value.</p> <p>The activities of the internal audit function carried out are set out in the AC Report in the Annual Report.</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 Outsourced IA is independent and free from any business relationships or conflicts of interest when conducting any internal audit activities.</p> <p>The Outsourced IA has 5 personnel based in their office. The Head of Internal Audit, Mr Clement Cheong, is a member of the Malaysian Institute of Accountants. The IA firm is a corporate member of the Institute of Internal Auditors, Malaysia. The Outsourced IA conducted their audit in adherence to the International Standards for the Professional Practice of Internal Auditing (Standards) as advocated by the Institute of Internal Auditors.</p> <p>The AC is also satisfied that the Outsourced IA has the necessary competency, experience and sufficient sources to carry out the Internal audit function effectively.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of establishing a direct line of communication with shareholders and investors and endeavours to provide timely disclosures on the Group’s performance and operations via distribution of annual reports and relevant circulars, and release of quarterly financial results, press releases and announcements.</p> <p>Nevertheless, the Company recognises that electronic media via its website is used as the primary communications channel to promote instant communication and wide coverage to the shareholders. Shareholders and investors can access the Company’s website at <a href="http://www.compugates.com">www.compugates.com</a> to enquire about investor relations matters.</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>	:	Not applicable as the Company is not a large Company as defined by MCGG.	
		N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company sends out Notice of AGM and Proxy Form together with its Explanatory Notes and the 2018 Annual Report at least 28 days before the AGM to allow sufficient time for shareholders to make arrangement to attend either in person, by corporate representative, proxy or attorney.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Company, all the Directors and the members of AC, NC, RC and RMC including the Management and External Auditors attended the last AGM held on 24 May 2018 to respond to the shareholders' queries.</p> <p>During the meeting, the Board encouraged participation from the shareholders by having a question and answer session.</p> <p>The proceedings of the meeting were recorded and the summary of key matters discussed at the AGM was disclosed on the Company's website.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.3**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Shareholders are given sufficient time within 28 days from the Notice of the AGM to make their arrangements to attend the AGM. The venue of the AGM was in an easily accessible location and there was no necessity for remote shareholder participation.  Alternatively shareholders who were unable to attend the AGM could send proxies to participate and vote on their behalf.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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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