

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5065
COMPANY NAME : Ornapaper 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 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 is responsible in leading the Group towards achieving its Vision and Mission, which is made possible by the Board in assuming among others, the following broad categories of roles and responsibilities:</p> <p>1. Reviewing and adopting a strategic plan for the Group</p> <p>The mission and vision of the Group form the foundation of the business strategies of the Group. It is the policy of the Board that any material capital expenditure and business expansion proposed by Executive Directors in relation to the business strategies is to be tabled to the Board for review and approval. During the financial year under review, the Executive Directors presented the proposed investment and acquisition of machines to increase production capacity were in line with the business strategies of the Group.</p> <p>The Board, through Audit Committee, reviews the financial performance and financial/non-financial information updates provided by the Head of Accounts Department of the Company on quarterly basis. The financial performance of the group and subsidiaries are compared to the corresponding quarter of preceding year to provide an indication of the state and performance of the company. Reason for the decline and increase in various financial indicators are analysed and deliberated during the meeting for any possible strategic decision required to address the shortcomings.</p> <p>2. Champion the Corporate Governance Culture</p> <p>The Board, being the highest governance body with the Group, is aware of its responsibility toward good corporate governance. As at date of this report, the Board is in the progress of updating the Board Charter and other board and committee policies (with good corporate governance culture and practices) in line with MCCG, and to ensure good corporate governance culture and practices are embedded throughout the Group.</p> <p>The Board, through the review of the draft Corporate Governance Report by the Audit Committee and reported to the Board, assesses the current standings of the corporate governance practices in comparison to</p> |

the MCCG. The Board formulate action plans from time to time to address any departure from MCCG's recommended practices, and to further enhance and promote good and recommended corporate governance practice.

To set the tone from the Top, the Board had established the Code of Conduct to govern the standards of ethics and good conduct expected of Directors throughout the Group. At operational level, integrity and ethical value expected from the employees are incorporated in the Employees Handbook by the Management based on the value promoted in the Company's Codes of Conduct. In order to promote the integrity and ethical value, formal Whistle-Blower Policy is established by the Board to create an environment where management and employees can whistleblow improper behaviour without being victimised for doing so.

Please refer to Practice 3.1 for detailed disclosure on Code of Conduct and Whistle Blowing Policy.

3. Overseeing the conduct of the Group's business and evaluate whether the business is being properly managed

Executive Directors are tasked with the responsibility of overseeing the day-to-day management of the business and operations of the Group, with key performance indicators set for key divisions that are monitored and discussed monthly during monthly management review meeting in the of presence of Executive Directors. In addition, Executive Directors attend weekly meeting with the management team to discuss and monitor on the progress of issues encountered in production, operational, sales and human resource. Thereafter, the management performance, under the leadership of Executive Directors is assessed by the Board through the financial performance and financial/ non-financial information presented by the Management on quarterly basis.

The Board, through Audit Committee, reviews the financial performance and financial/non-financial information updates provided by the Head of Accounts Department of the Company on quarterly basis. The financial performance of the group and subsidiaries are compared to the corresponding quarter of preceding year to provide an indication of the state and performance of the company. Reason for the decline and increase in various financial indicators are analysed and deliberated during the meeting for any possible strategic decision required to address the shortcomings.

4. Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

As at the date of this report, the Board had put in place a formal risk management framework and policy and established a Board Risk Management Committee in line with step up measure per MCCG with written terms of reference for structured management of the business risks faced by the Group. Based on the risk management policy established, the Board are kept inform on the emergence and changes of the key business risks faced by the Group and the steps taken to manage these risks by the Management at predetermined interval or as the need arises. Risk assessment conducted by Sustainability and Risk Management Committee ("SRMC") are guided by the likelihood and impact rating established by the Board based on the risk tolerance acceptable by the Board.

Audit Committee, through the audit report and guidance from external auditors and internal auditor, advises the Board on the adequacy and effectiveness of governance, risk and control structures and processes throughout the Group. Audit Committee monitors the status of implementation of appropriate internal controls and mitigation measures through the outsourced internal audit function's management action progress report and update from the management and makes relevant recommendations to the Board to manage risks.

Further explanation on such process are disclosed in the Statement on Risk Management and Internal Control in the Annual Report.

5. Succession planning

The Nomination and Remuneration Committee are tasked by the Board with the duty of succession planning for the Board, which includes the appointment, training requirement, determination and assessing the performance of the Board, Board committees and individual directors and Board's remunerations.

The Board, together with Executive Directors and the Management, put in place an informal structure and practice for succession planning by way of on-going identification and training of competent and caliber second-in-line for key positions in the Group. To aid the process of succession planning and in ensuring the continuity of business and operations, key processes of the company are guided by standard operating procedures and job description of the key positions. During the financial year under review, the Board has reviewed and approved the re-designation of Mr. Sai Han Siong as Chief Executive Director ("CED"), replacing Mr. See Wan Seng who retired on 31 December 2018.

6. Overseeing the development and implementation of a stakeholder communications policy for the Company

The Board assumes the overall responsibility to ensure that all Material Information is communicated to stakeholders impartially on timely, accurate, clear and complete manner per Main Market Listing Requirement ("MMLR") and other relevant laws and regulations.

In order to discharge its duty and responsibility in respect of disclosure of Material Information, the Board has established formal Corporate Disclosure Policy to ensure that the stakeholders are informed of the Material Information. The Board ensures the stakeholders are kept informed of material events through the announcements made through Bursa Malaysia Securities Berhad ("Bursa Securities"). Announcements made through Bursa Securities are reviewed by Executive Director prior to its release to confirm its factual correctness and subsequently confirmed by the Board during the Board meetings.

Further explanation on stakeholders' communication are disclosed in practice 11.1 of this report.

7. Reviewing the adequacy and the integrity of the management information and internal controls system (including the integrity of the financial and non-financial reporting) of the Group

Audit Committee reviews the system of internal control of the Group through the outsourced internal audit function of the Group. The outsourced internal audit function reviews the control systems of the

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| | <p>Group based on the internal audit plan approved and outcomes of the review are reported to the Audit Committee.</p> <p>The integrity of the financial reporting of the Group is also subjected to financial statements audits performed by the external auditors.</p> <p>Further information on the Internal Audit Function of the Group are disclosed in the Statement on Risk Management and Internal Control in the Annual Report, and works performed by the Audit Committee on the financial reporting in Audit Committee Report in the Annual Report.</p> <p>8. Sustainability Management</p> <p>The Board had established formal Sustainability Framework, detailing the governance structure and process to be implemented by the Management for the identification, prioritisation, monitoring and reporting of material sustainability matters pursuant to the MMLR.</p> <p>During the financial year under review, the sustainability matters report detailing the assessment outcome in identifying the material sustainability matters of the Group performed by the management and was compiled and presented by SRMC to Audit Committee and the Board for review.</p> <p>Please refer to the Sustainability Statement on the management of material economic, environmental and social risks and opportunities.</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>Executive Chairman, Mr. Ang Kwee Teng, represents the Board to the shareholders and to act as facilitator at the meetings of the Board and ensure that no board member dominates the discussion, and that appropriate discussion takes place and that relevant opinion among Board members are forthcoming.</p> <p>The responsibilities of the Chairman of the Board as established in the Board Charter are as follow:</p> <ol style="list-style-type: none"> i. To provide governance in matters requiring corporate justice and integrity; ii. To oversee the Board in the effective discharge of its responsibilities; iii. to lead the Board in the oversight of the Management and ensure its effectiveness of all aspects of its role; iv. To ensure the efficient organisation and conduct of the Board's meetings; v. To ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis; vi. To facilitate the effective contribution of all Directors at Board meetings; vii. To promote constructive and respectful relations within the Board, and between the Board and Management; viii. To promote effective communication among the Board members and with shareholders and relevant stakeholders; ix. To chair general meetings of shareholders; and x. To maintain effective professional relationship with external parties, investing public, regulatory bodies and trade associations. <p>The roles and responsibilities of the Chairman of the Board is stated in Paragraph 4.3 of the Board Charter, accessible at the "Corporate Info" section of the Company website at www.ornapaper.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

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 | : | <p>The positions of Chairman and Chief Executive Director (“CED”) are held by different individuals. On 31 December 2018, Mr. Sai Han Siong, then Executive Director, was re-designated as Chief Executive Director (“CED”) upon the retirement of Mr. See Wan Seng, while the position of Executive Chairman is held by Mr. Ang Kwee Teng.</p> <p>The responsibilities for Chairman and CED are clearly established within the Board Charter, with the responsibilities of Chairman disclosed in Practice 1.2 above. In the nutshell, the Chairman is responsible for the governance, orderly conduct and effectiveness of the Board while the CED is responsible for managing the Group’s business operations and implementation of policies and strategies approved by the Board.</p> <p>In particular, CED is accountable to the Board for the achievement of the corporate objectives and for the observance of management authorities. CED shall be head of the Management of the Group and answerable to the Board in that manner. The responsibilities for CED but not limited to are as follow:</p> <ol style="list-style-type: none"> i. To develop corporate strategies for the Group for the Board’s approval and to implement such corporate strategies for the Group so approved; ii. To implement other Board’s decision effectively and efficiently; iii. To provide leadership in order to achieve the vision, management philosophy and business strategies; iv. To ensure the efficiency and effectiveness of the day-to-day operations of the Group in accordance with authorities and delegations authorised by the Board; v. To safeguard the assets of the Group; vi. To ensure effective internal and external reporting of the Group; vii. To ensure compliance with applicable laws and regulations; viii. To assess business opportunities which are of potential benefit to the Group and to recommend major business opportunities for the Board’s consideration; ix. To communicate material and relevant matters to the attention of the Board timely and accurately for decision making; and x. To discharge the responsibilities delegated by the Board and to execute authorities delegated by the Board, effectively and efficiently. |
| Explanation for departure | : | |
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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 Company Secretaries appointed by the Company are Ms. Chua Siew Chuan (MAICSA 0777689) and Ms. Tay Seok Yin (MAICSA 7063410, appointed on 01 February 2018) a Fellow and an Associate member of the Malaysian Association of the Institute of Chartered Secretaries & Administrators.</p> <p>The appointment of the Company Secretaries is based on the capability and proficiency determined by the Board.</p> <p>The Company Secretaries are responsible for ensuring the 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. The Company Secretaries advise the Board on issues relating to corporate governance, compliance with laws, rules, procedures and regulatory requirements. The Company Secretaries are guided by the Code of Ethics for Company Secretaries established by the Board.</p> <p>The Company Secretaries attend and ensure that all Board and Board Committees meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company, with minutes of the previous meeting distributed for perusal and confirmation of the Directors prior the Board meetings. Additionally, the Company Secretaries also ensures that there is a good information flow within the Board and between the Board Committees and Senior Management.</p> <p>The Company Secretary observe and undertake continuous professional education ("CPE") as part of the professional body and licensing condition for Company Secretary.</p> <p>A summary of the Roles and Responsibilities of the Company Secretary is included in Paragraph 4.6 of the Board Charter.</p> |
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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 1.5

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 | : | <p>All the Directors were notified of the respective dates of scheduled Board meetings for the next financial year in November of every calendar year and the date of next board meeting was confirmed prior to the conclusion of the current meeting.</p> <p>The notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and meeting materials that is made up of the minutes of previous Board and Committee's meetings and Board Paper are circulated to all Directors no later than five (5) working days before scheduled Board meeting. The Directors acknowledged receipt on the receipt of Board paper to signify the timely receipt and completeness of Board paper received. This is to ensure that the Directors were given sufficient time to obtain a comprehensive understanding of the issues to be deliberated upon at the meeting in order to arrive at an informed decision as well as to discharge their duties and responsibilities.</p> <p>Upon the completion of the meetings, the draft copy of the minutes were circulated by the Company Secretary in a timely manner for review, and subsequently during the next meeting, the content of the minutes was tabled for confirmation as correct for the deliberations and decisions made and formally acknowledged by the Chairman of the Board or Board Committee.</p> <p>The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities.</p> <p>Besides direct access to management staff, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and in appropriate circumstances, at the Company's expense.</p> <p>The above process is guided by the Board Charter under paragraph 5.1 - Board Meetings and 5.6 - Supply of Information.</p> |
| Explanation for departure | : | |
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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 Charter was last updated and approved by the Board on 03 April 2017. The Board Charter is subject to review and update from time to time to ensure that they remain consistent with the Board's objective, current law and practices. A copy of the latest Board Charter is available on the company's website at the "Corporate Info" section of the corporate website at www.ornapaper.com.</p> <p>The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their fiduciary duties and responsibilities as members of the Board and the various legislations and regulations affecting their conduct and that the highest standards of Corporate Governance are applied in all their dealings in respect, and on behalf of the Company.</p> <p>The Board Charter set out, amongst others, the Board structure; roles and responsibilities; Board activities and processes; relationship with management, shareholders & investors and Code of Conduct.</p> <p>The roles and responsibilities of the Board, Chairman, CED, Board Committees and matters reserved for the Board are stated in Para 4.1 to 4.5 of the Board Charter.</p> <p>Salient features of the Board Charter:</p> <ul style="list-style-type: none"> • Matters reserved for the Board – identifies key matters reserved for the Boards' approval include the following: <ul style="list-style-type: none"> i. Approval of financial results ii. Approval of interim dividend and recommendation of final dividend, if any, for shareholders' approval iii. Issuance of new securities iv. Annual business plan v. Annual financial budget vi. Acquisition or disposal of material fixed assets vii. Acquisition or disposal of group companies • Board Committees - terms of reference (including but not limited to roles and responsibility) of respective Board Committee were established and approved by the Board with Chairman of respective Board Committee to report to the Board on the outcome of the Committee meetings and minutes to be made available to the Board. The Board had established Audit Committee, Nomination Committee, |

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| | <p>Remuneration Committee and Board Risk Management Committee</p> <ul style="list-style-type: none"> • Roles Profile – defines and clearly separate the roles and responsibility of the Board, the Board Committees (governed by formal terms of reference or policy), Chairman, Chief Executive Director and Company Secretaries. • Delegation of Authorities to Management – defines that the Board authorities conferred on the Management is delegated through CED and CED is accountable to the Board. Such delegation of authority of key processes by CED are supported by formal limit of authority matrix and relevant policy and procedures • Time Commitment – sets the expectation on the devotion of sufficient time and effort by Board members in discharging their responsibilities with reasonable due care, skills and diligence and all Board members are required to notify the Chairman of the Board indicating the time that will spent on the new appointment before accepting any new directorship or significant commitment outside the Company • Board and Member Assessment – sets out the requirement for the Board, through Nomination Committee, to assess the effectiveness of the Board, Board Committees and individual members on annual basis. <p>The Board had not identified and appointed from among its members as Senior Independent Director whom the shareholders and other stakeholders can access fully and directly, and concerns may be conveyed to as the Executive Chairman can be directly accessible by the shareholders and other stakeholders.</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

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 Code of Conduct ("The Code") of the Company has been formally approved for adoption on 3 April 2017 and is made available at the "Investor Relation" section of the Company website at www.ornapaper.com</p> <p>The Board established the Code of Conduct to set the standards of the business ethics and conduct of the Group that is applicable to all employees and Directors of the Group to ensure that working environment and condition are safe and healthy, workers are treated with respect and dignity and business operation are conducted ethically.</p> <p>The fundamental in adopting the Code is to ensure that all business activities are in full compliance with the laws, rules and regulations of the country in which it operate. If a law of the country conflicts with a rule or policy set out in this code, affected personnel should comply with the law.</p> <p>The Code of Conduct sets out the value uphold by the Company for each stakeholder.</p> <p>The principles of the Code and standards include:</p> <ol style="list-style-type: none">I. Respecting Others – unlawful discrimination; working hours and benefits; humane treatment; communication; continuous developmentII. Serve Our Customers – serving the customer with integrity; competency; handling of customers assetsIII. Avoiding Conflict of Interest – business Integrity; no improper advantage; disclosure of information; no trading on insider information; fair business, advertising and competitionIV. Preserve Confidentiality and PrivacyV. Safety and healthVI. Corporate Citizenship <p>To foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrong doing in the Group, the Code includes reference to the Whistle Blowing Policy for reporting of violation of the Code.</p> <p>The Group is open to receive input from stakeholders in the continue development and implementation of the Code and adopt the best practice where possible.</p> |

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| 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 : | | |
| 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 | : | <p>The Whistle-blowing policy was formally approved for adoption by the Board on 3 April 2017.</p> <p>The Whistle-blowing policy aims to provide all directors, employees of the Group and other interested parties to confidentially reports to independent governance body (i.e. Audit Committee) on any concerns related to matters covered by the Group’s Code of Conduct, legal issues and accounting or audit matters. Whistle-blower will be accorded with protection of confidentiality of identity and protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed.</p> <p>The Whistle-Blowing Policy is administered by the Group’s top management and overseen by the Audit Committee. The email address of the Chairman of Audit Committee is provided for reporting of malpractices to independent third party.</p> <p>The Whistle-Blowing Policy is posted on the “Investor Relation” section of the Company website at www.ornapaper.com for ease of access for reporting by employees and interested parties of the Group.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.1

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

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>As at the date of this report, the Board comprises seven (7) members of which three (3) are Executive Directors, one (1) Non-Independent and Non-Executive Director and three (3) are Independent Non-Executive Directors. With the present composition of the Board, the Company complies with MMLR 15.02(1) which states that at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent director.</p> <p>The Board consists of qualified and professionals with diverse experience, background and knowledge in the areas of accounting, legal and general management. The independent directors are made up of professional in the field of auditing, taxation and legal.</p> <p>In order to ensure independent and objective judgement are brought to the Board's deliberation by genuine independency of the independent directors and to ensure conflict of interest or undue influence from interested parties is well taken care of, the Board is committed to ensure the independence of the independent directors whom will be assessed by Nomination Committee prior to their appointment based on formal nomination and selection process with the results of the review are reported to the Board for consideration and decision.</p> <p>Based on the Board performance evaluation conducted by the Nomination Committee, the Nomination Committee was satisfied with the composition and competency of the Board. In particular, Nomination Committee was satisfied that the Board was of the right size, right proportion, adequate degree of independence and have the right mix of expertise, experience and skills to discharge its responsibilities and duties well and efficiently. Furthermore, the Nomination Committee had obtained independence declaration from independent directors to assess and ensure that their independence and objectivity were not diminished over time and potential areas of conflict that may impair the independence of the independent directors had been resolved, if any.</p> <p>During the year, the independent directors had demonstrated their independence and objectivity during Board and Board committees' proceeding, whereby genuine concerns were raised during the meetings, and action or transactions proposed or taken by the Management and the Board were subject to the scrutiny of the independent directors.</p> <p>With the above, despite the departure from Practice 4.1, the Board strongly believes that the independent elements within the Board is uphold and Board decisions are made objectively in the best interest of the Company.</p> |

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| Measure | : | The Board will continue to review the adequacy and effectiveness of the independent and objectivity element within the Board from time to time to ensure its adequacy and effectiveness. The Board will continue to identify suitably qualify candidates for new appointment of independent directors, in the context of the needs of the Group. | |
| Timeframe | : | Others | - |

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>It is stated in the Board Charter (Paragraph 3(e)) that the tenure of an Independent Director shall not exceed a cumulative of nine (9) years. In the event such director was to be retained as Independent Director, the Board must justify and seeks shareholders' approval.</p> <p>Amongst the independent directors of the Company, Mr. Siow Kee Yen and Datuk Adillah binti Ahmad Nordin have served on the Board for more than sixteen (16) years and is subjected to two-tier voting at the forthcoming 17th Annual General Meeting.</p> <p>Based on the review and assessment conducted, the Nomination Committee and the Board are unanimous in their opinion that their independence have not been compromised or impaired in any way and have met the definition of independence based on the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements. The length of their service on the Board did not interfere with their independent judgement and remains objective and independent in participating in the deliberations and decision making of the Board and respective Board Committees. Furthermore, with the number of years on the Board, the incumbent knowledge of the Company and the Group's activities and corporate history in their role as independent directors, it is invaluable for the Board to maintain them as Independent Directors.</p> <p>Based on the above justification, the Board recommends to the shareholders that Mr. Siow Kee Yan and Datuk Adillah binti Ahmad Nordin should be retained as Independent Non-Executive Directors of the Company.</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 4.3 - Step Up

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

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

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

Practice 4.4

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>For the financial year ended 31 December 2018, there are no new senior management appointed. During the financial year under review, Mr. Sai Ah Sai, the Non-Executive Non-Independent Director was appointed on 01 January 2018 based on the review and recommendation by the Nomination Committee and approval by the Board. The responsibility of the nomination and selection of director is delegated to the Nomination Committee by the Board and is guided by the “Policy and Procedure on Nomination and Selection of Directors” that were formally adopted by the Board on 3 April 2017.</p> <p>Appointment of new Directors to the Board and Board Committees is through recommendation of candidates for all directorship to the Nomination Committee for consideration, nomination and assessment prior to recommending the candidate(s) to the Board for approval. In making its recommendations, the Nomination Committee shall evaluate each candidate recommended in accordance to knowledge, skill, experiences expected to be possessed for the proposed directorship under consideration and the maintenance of boardroom diversity per “Criteria for Nomination and Selection” stated in the “Policy and Procedure on Nomination and Selection of Director” as follow:</p> <ul style="list-style-type: none"> - Leadership experience - Skilled and diverse background - Boardroom diversity (knowledge, skills, experience, race, age and gender) - Integrity and professionalism - Independence of Independent Director <p>Nomination Committee reviewed and recommended the appointment of Mr. Sai Ah Sai as Non-Independent Non-Executive Director. The Nomination Committee was of the opinion that Mr. Sai has the credibility and possessed wide range of experience and expertise in the business that could add value to the Board as a whole. Additionally, the Nomination Committee was of opinion that the appointment of Mr. Sai would also strengthen the profile of the Company and help to develop new business/project. The assessment results and recommendation from Nomination Committee were reported to the Board for final deliberation and approval prior to his appointment.</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> | | |

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| 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 | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | There is presently no formal gender diversity policy. The Board is of the opinion that it is important to recruit and retain the best available talent to optimise the effectiveness of the Board and senior management; taking into consideration of the required mix of skills, experience, knowledge and independence, and based on the Group's needs and operating environment. | |
| | | There is presently one (1) female independent non-executive director on the Board and going forward, gender diversity will be one of the factors to be considered in evaluating prospective candidates when a board vacancy arises. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | - | |
| Timeframe | : | Others | - |

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 | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>The Non-Executive Non-Independent Director appointed to the Board during financial year was recommended for appointment by the Board member during the financial year ended 31 December 2017. The existing non-executive members of the Board of the Company were recommended by the Board member(s) or existing shareholder(s) of the Company.</p> <p>The present “Policy and Procedure on Nomination and Selection of Director” approved by the Board for adoption on 3 April 2017 is yet to be updated in accordance to MCCG, whereby the Board does not rely solely on recommendations from existing board members, management or major shareholders.</p> <p>Despite the absence of such requirement in the said policy and procedure, the Board is supportive of such practice in identifying of suitably qualified candidates through independent sources. Independent sources include but not limited to, recommendations from professional service providers and financial institutions.</p> | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | - | |
| Timeframe | : | Others | - |

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 | : | <p>The Nomination Committee is chaired by Mr. Siow Kee Yen, an Independent Non-Executive Director, per the terms of reference of Nomination Committee whereby the Chairman of Nomination Committee shall be an Independent Director. The duties and responsibilities of Nomination Committee, led by the Chairman, are as follows:</p> <ul style="list-style-type: none"> - To consider and recommend to the Board, candidates for directorships - To recommend to the Board on the nominees to fill the seats on Board Committees - To assess the effectiveness of the Board as a whole, each individual Director/ Committee of the Board, including independent non-executive director, and CED annually - To act in line with the directions of the Board - To consider and examine such other matters as the NC considers appropriate <p>The Chairman of Nomination Committee reports to the Board on the outcome of Nomination Committee meetings.</p> <p>During the financial year under review and up to the date of this report, the Nomination Committee, led by the Chairman, has conducted review of the effectiveness of the Board as a whole, the contribution of each individual director, the independence of Independent Director, the effectiveness of the Audit Committee and its composition (the details of the assessment will be further disclosed in Practice 5.1 of this CG Report).</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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>On annual basis, the Nomination Committee reviews the required mix of skills and experience and other qualities, including core competencies which the Directors should bring to the Board. The Board had implemented a process to be carried out by the Nomination Committee annually for the assessment and report to the Board on the effectiveness of the Board as a whole, Audit Committee (and its composition) and the contribution of each individual Directors for discussion and acceptance and for further improvement.</p> <p>During the financial year under review and up to the date of this report, the Board, through Nomination Committee, conducted the Board Performance Evaluation, Board Committee Performance Evaluation and Self Performance Evaluation for individual Directors. On the other hand, the assessment on the effectiveness of Audit Committee and its composition was performed by the Nomination Committee.</p> <p>The Board performance evaluation evaluates the Board based on the following areas and criteria:</p> <ul style="list-style-type: none">a) Board Composition – Board size and proportion; mix of expertise and skillsb) Board Information – Concise & timeliness in receiving; communication on Information needs; presentation of information; information availability for decision making; education, training and leadership developmentc) Board Process – time allocation; communications; risk awareness and focus on high risk areas; access to management; orientation programme for new director on Board process; deliberation processd) Board Accountability – Stakeholder consideration; Company’s business process understanding; business sustainability; communication with Board, Board members, Management and shareholders; compliance law and regulations; social and environment responsibility; Board Committees functione) CED / Top Management – Communications on Board goals; performance evaluations; succession planning.f) Standard of Conduct – appropriate questions; disclosure of personnel interests in transactions and abstain from voting <p>While the Board Committees’ performance evaluation (Audit Committee, Nomination Committee and Remuneration Committee) performed by Nomination Committee are based on the following criteria:</p> <ul style="list-style-type: none">a) Having the right compositionb) Provide useful recommendation in assisting the board for better decision-making |

- c) Members have sufficient, recent and relevant expertise in fulfilling their role
- d) Proper discharging of responsibilities by committee chairs
- e) Appointments of Board and committee chairmen based on appropriate criteria
- f) Quality communications
- g) Well prepared and comprehensively minuted meeting minutes
- h) Board informed of committee's deliberation sufficiently and on timely basis

The self-assessment for individual directors assesses the individual Board member's roles, responsibilities and functions based on the criteria established by the Nomination Committee which includes the understanding and support for the Company's mission and goals; participation in Board meeting; understanding of the role and fiduciary responsibilities as Board member; knowledge on listing requirements and Malaysia Code of Corporate Governance; conflict of interest; participation on the Board and training requirements.

As an important independent element within the Board, individual independent non-executive directors performed self-assessment of his independence based on the criteria per Main Market Listing Requirements. Confirmation and declaration by the Independent Directors were obtained in relation to compliance with the relevant criteria for independent director as defined under Paragraph 1.01 and Practice Note 13 of MMLR.

The above evaluation had been carried out and deliberated by the members of the Nomination Committee and the summary result of the assessment was presented by the Chairman of Nomination Committee to the Board.

The Company Secretary circulated to each director with the relevant assessment and review forms/questionnaires in relation to the aforementioned evaluations with sufficient time for the relevant directors to complete in advance of the meeting of the Nomination Committee and the Board in order for the Company Secretary to collate the assessment/review results for the Nomination Committee to review and report to the Board.

With the above evaluation processes, the Board, through the Nomination Committee, reviewed and assessed its required mix of skills and experience and other qualities, including core competencies, which directors should bring to the Board, and the size and composition of the Board to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively.

The above assessments and evaluations were conducted without engaged the services of independent third party.

Based on the above assessments, the Board was satisfied with the existing board composition and was of the opinion that the Board, individual directors and Audit Committee of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. Other than that, the Nomination Committee was of the opinion that its present size and composition is optimal based on the Group's operations and that it reflects a fair mix of financial, technical and business experiences that are important to the stewardship of the Group.

In addition, based on the above assessments performed on Audit Committee and its composition, the Board was of the opinion that the Audit Committee and its members had carried out their duties in accordance with their terms of reference based on the listing requirements.

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| 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 : | | |
| 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 Board had approved for adoption the Board Remuneration Policy on 3 April 2017. The responsibility of the implementation of the said policy is delegated to Remuneration Committee, which is governed by the terms of reference approved by the Board.</p> <p>The Board Remuneration Policy outlines the guiding principles for the remuneration of the Company. Such policy is to be reviewed on annual basis by the Remuneration Committee and report to the Board for approval in the event if there are changes in the policy recommended by the Remuneration Committee.</p> <p>The objectives of the Board Remuneration Policy are as follow:</p> <ul style="list-style-type: none">- to enable the Company to attract and retain highly qualified members to enable the Company to provide a well-balanced and competitive directors compensation package.- to ensure that the interests of Executive Directors are aligned with the business strategy, risk tolerance, values and medium to long-term interests of the Group and is consistent with the "pay-for-performance" principle.- to promote strong teamwork culture among the Executive Directors.- to instil transparency and openness in the review and approval of compensation package of the Board's members. <p>The Remuneration Committee assesses the Executive Directors' remuneration packages so as to recommend the Executive Directors' remuneration packages to the Board for approval. The Executive Directors shall abstain from participating in the discussion with respect to their remuneration packages. The remuneration package and fees of the directors shall be reviewed by Remuneration Committee at least once annually and to report the results of the review to the Board for deliberation and approval.</p> <p>The principal components of compensation for Executive Director consist of fixed and variable compensation and other customary benefits as follow:</p> <ul style="list-style-type: none">- Fixed Salary – which is determined based on his/her knowledge, skills, experience and responsibilities assigned and shall subject to annual review by the Remuneration Committee taking into consideration the performance of individual director, market rate and etc.- Director Fees – fixed sum determined based on his/her knowledge, |

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| | <p>skills, competency, responsibilities assigned and contributions to the Board, subject to review annually and approval at general meeting.</p> <ul style="list-style-type: none"> - Bonus – variable compensation, designed to reward Executive Directors for the Group financial performance and individual performance. - Other Benefits – includes meeting allowance, car allowance, and benefit in Kind that are given in accordance to individual director’s responsibility will be subjected to annual review by the Nomination Committee. <p>Non-Executive Directors’ remuneration comprises of fixed fees that are determined based on his/her skills, competency, responsibilities assigned and his/her contributions to the Board and the Board Committees and meeting allowances. Such fees for non-executive director shall not be subject to financial performance of the Group and shall not include cash bonus schemes and equity vesting entitlements to prevent potential conflict with their primary role as an independent representative of stakeholders.</p> <p>The director fees and meeting allowance and other allowances for Executive Directors and Non-executive directors are subject to the approval of shareholders at general meeting.</p> <p>The Board is aware that the current Board Remuneration Policy did not include the determination of remuneration for Senior Management and will consider to include Senior Management in the remuneration policy after detail study performed on such requirements.</p> <p>The Board Remuneration Policy is made available for download from the “Investor Relation” section of the company’s website at www.ornapaper.com.</p> <p>The Remuneration Committee held two (2) meetings during the financial year ended 31 December 2018 to review the proposed director fees for Non-Executive and Executive Directors, proposed bonus of Executive Directors and with such recommended director fees and remuneration packages were submitted to the Board for approval or recommendation to shareholders, as applicable.</p> <p>During one of the meeting, the Remuneration Committee has reviewed the proposed gratuity payment by the Company’s wholly-owned subsidiary to Mr. See Wan Seng upon his retirement on 31 December 2018 and presented to the Board for approval. The Board noted that the said payment did not exceed Mr. See Wan Seng’s total remuneration in the three years immediately preceding his retirement, and therefore the approval of shareholder was not required as per Section 227(5)(d) of the Companies Act 2016.</p> <p>The Board maintains the current remuneration for each category of Directors commensurate with that adopted by companies of similar standing and is sufficient to attract and retain Directors of high calibre.</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> | |

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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 6.2

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 | : | <p>The Remuneration Committee was formed to assist the Board in their responsibilities in assessing the remuneration packages of the directors, Senior Management and the implementation of Board Remuneration Policy.</p> <p>The Remuneration Committee is guided by formal terms of reference approved by the Board which states the composition requirement, authority roles and responsibility of the committee. The terms of reference for the Remuneration Committee is available on the "Investor Relation" section of the company's website at www.ornapaper.com.</p> <p>The Remuneration Committee comprises of three (3) Independent Non-Executive Directors, which is in compliance with the requirement of MCCG whereby the Remuneration Committee should only consist of non-executive directors and a majority of them must be Independent Directors. The composition of the Remuneration Committee is stated in the Corporate Information of the Annual Report.</p> <p>The Remuneration Committee is responsible for reviewing annually and recommending to the Board, the remuneration packages of the Executive Directors and Director fees of the Non-Executive Director. In making its recommendation, the Remuneration Committee adheres to the principle of remunerating based on the Group's performance as well as individual performance as stated in the Board Remuneration Policy. The Remuneration Committee does not possess the authority to make decisions on behalf of the Board. Its role is merely that of making recommendations for the Board's approval.</p> <p>It is the ultimate responsibility of the entire Board to approve the remuneration of the Executive Directors. The Executive Director concerned would abstain from discussion and decision on his own remuneration. The Board as a whole determines the remuneration package of Non-Executive Directors based on their experience and level of responsibilities undertaken. All Non-Executive Directors are paid a fixed fee which subject to the approval of shareholders at General Meeting and Directors who are shareholders will be abstained from voting at General Meeting to approve their fees.</p> <p>The Board is aware that the current terms of reference of Remuneration</p> |

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| | Committee shall be updated to require the Remuneration Committee to be made up of non-executive directors exclusively with a majority of whom must be Independent Directors. Further, the duties of the Remuneration Committee shall be updated to include the review and recommend matters relating to the remuneration of senior management in accordance to Practice 6.2 of MCCG. | |
| 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 | : | |
| 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 | : | Applied |
| Explanation on application of the practice | : | <p>The Board is supportive of transparent and detailed disclosure on named basis for the remuneration of individual directors.</p> <p>The remuneration breakdown disclosure made includes directors' salary, fee, bonus, meeting attendance, car allowance, benefits in-kind and gratuity payment. The detailed disclosure is made available in CG Overview Statement of 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

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 | : | Applied | |
| Explanation on application of the practice | : | <p>The disclosure for the remuneration component in the bands of RM50,000 of the top five senior managements on named basis are disclosed in the Corporate Governance Overview Statement of the Annual Report.</p> <p>The remuneration packages of senior management consist of fixed salary, sales commission (if any), bonus, car and travel allowances (if any), and benefits in-kind.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.3 - 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company complies with Practice 8.1 of MCCG and that the Chairman of the Audit Committee is not the Chairman of the Board.</p> <p>During the financial year under review and up to the date of this Report, the Chairman of the Audit Committee is Mr. Siow Kee Yen while the Executive Chairman of the Board is Mr. Ang Kwee Teng.</p> <p>The Audit Committee Chairman, Mr. Siow fulfils the requirement under paragraph 15.09(1)(c)(i) and paragraph 7.1 of Practice Note 13 of MMLR and possesses strong financial literacy skills, where he is a member of the Malaysian Institute of Accountants and a partner of an external audit firm in Malaysia. Please refer to the Profile of Directors section of the Annual Report for further details on the qualification and experience of the Chairman of Audit Committee.</p> <p>An abstract of duties and responsibilities of the Audit Committee as stated in the Terms of Reference, led by the Chairman, includes but not limited to the followings:</p> <ul style="list-style-type: none">- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved.- To review with the external auditor his evaluation of the system of internal controls and his audit report.- To review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.- To review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function.- To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary). <p>The terms of reference of Audit Committee detailing the composition, authorities, duties and responsibilities are available for download from the "Investor Relation" section of the company's website at www.ornapaper.com.</p> <p>A summary of activities of the Audit Committee, led by the Chairman, are disclosed in the Annual Report's Audit Committee Report.</p> |
| Explanation for departure | : | |
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Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

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| 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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board is supportive of such practice to ensure the Audit Committee are able to function independently. The Board is in the midst of updating the terms of reference of the Audit Committee and to include the requirement of former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee in the terms of reference of the Audit Committee during the financial year ending 31 December 2019. | |
| | | The existing members of Audit Committee appointed were not key audit partner prior to their appointment. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | - | |
| Timeframe | : | Others | - |

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.

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| Application | : Applied |
| Explanation on application of the practice | <p>The Board has in place, the policies and procedures of "Assess the Suitability and Independence of and the Provision of Non-Audit Service by External Auditors". The responsibility of the implementation of the above policies and procedures is delegated to the Audit Committee by the Board and the outcome of the review are recommended to the Board on annual basis (or at other appropriate times) for its consideration and its subsequent recommendation to the shareholders.</p> <p>The criteria used for the annual assessment of suitability of External Auditors for appointment and reappointment includes the following:</p> <ol style="list-style-type: none">1. Qualifications of the External Auditors2. Technical expertise and capability of the External Auditors in relation to the size and business complexity of the Group3. Resources (including senior personnel assigned to the audit) available/provided by the External Auditors in relation to the size and business complexity of the Group;4. Suitable size of the External Auditors in relation to the size and complexity of the Group5. Size of the External Auditors in relation to the existing client base of the External Auditors6. Independence of the External Auditors7. Professionalism and responsiveness demonstrated by the External Auditors8. Overall conduct of the audits by the External Auditors. <p>In reviewing the independence of External Auditors, the policies and procedures also requires the Audit Committee in obtaining formal written statement confirming that they are and have been independent throughout the audit engagement within the meaning of relevant Acts in Malaysia.</p> <p>The policy also requires the Audit Committee to ensure that the provision of non-audit services by External Auditors and their network firms/companies does not impair the objectivity and independence of the External Auditors.</p> <p>During the Financial year under review, the Audit Committee undertook an annual assessment of the suitability and independence of the external auditors in accordance to the above policies and procedures. Additionally, the external auditors of the Company confirmed on their independence and objectivity for the audit engagement for the financial year under review in accordance with the By-laws of the Malaysian Institute of Accountants through the Audit Plan and Audit Result submitted by the external auditors and written confirmation provided during the Audit Committee meetings on their independence and objectivity.</p> |

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| | <p>For the financial year under review, the Audit Committee and the Board are of the opinion that the external auditors is suitable and able to deliver the assurance engagement professionally and diligently with sufficient level of independence and objectivity under the relevant laws and regulations based on the assessment outcome on the performance, suitability and independence of the external auditors by the Audit Committee and written confirmation on independence and objectivity. The recommendation for the re-appointment was forwarded by the Board to shareholders for approval during the Annual General Meeting, having considered the external auditors had performed audit services to the Company satisfactorily in term of quality and timeliness since they were appointed and had put in place an internal quality control processes to mitigate quality as well as independence and objectivity risks.</p> <p>The nature of non-audit services provided by the external auditor and the quantum of the fees were also reviewed by the Audit Committee and the Audit Committee was satisfied that the provision of these services did not in any way compromise their independence.</p> | |
| Explanation for departure : | | |
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| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
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| 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.

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| Application | : | Adopted |
| Explanation on adoption of the practice | : | At present, the Audit Committee comprises solely of Independent Directors. The details of the members of the Audit Committee is disclosed in the Profile of Directors section of the Annual Report. |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>In accordance to the requirement stated in the terms of reference of Audit Committee, all members of the Audit Committee shall be financially literate, with majority of the members being members of Malaysian Institute of Accountants. The Audit Committee consist of members who have wide range of necessary skills to discharge its duties. The members of the Audit Committee include partner of audit firms, experiences in the field of management consultancy and legal. The details of the qualifications and experiences of the members of the Audit Committee are disclosed in Profile of Directors section of the Annual Report.</p> <p>During the financial year ended 31 December 2018, the members of Audit Committee undertook continuous professional development(s) as required by the respective professional bodies and trainings which are organised by the Board in the field of accounting, auditing, taxation and regulatory developments. The details of the training attended is disclosed in the CG Overview Statement section of the Annual Report.</p> <p>The Audit Committee, in discharging its duties, reviews the quarterly results and annual financial statements and recommended to the Board for approval before releasing to the public. The Audit Committee also reviews the appropriateness of the Company's and Group's accounting policies and the changes to these policies as well as ensures the financial statements are drawn up in accordance with the provisions of the Companies Act, 2016 and applicable accounting standards.</p> <p>For detail disclosure of the activities undertaken by the Audit Committee, please refer to the Audit Committee 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> | | |

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| 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>During the Financial year under review, the Board has put in place a formal Risk Management Framework and Policy.</p> <p>The Group's Risk Management Framework and Policy specifies the structured risk management process, where each step of the risk and opportunity identification, evaluation, control identification, treatment and control activities are laid down for application by the Sustainability and Risk Management Committee ("SRMC") and Risk Owners.</p> <p>The Group's Risk Management is embedded into key processes at all levels of the organisation structure whereby respective head of departments, as risk owners, are delegated with the responsibility to continuously identify, evaluate and manage the existing and emerging risks, resulting from changes to the internal and external environment faced by the Group by formulating and implementing adequate and effective internal controls to minimize the risk exposure.</p> <p>Risk and opportunity assessment, at gross and residual level, are guided by the likelihood rating and impact rating that was established based on the risk tolerance acceptable by the Board.</p> <p>Further explanation on the Risk Management and Internal Control system of the Group are disclosed in annual report's Statement on Risk Management and Internal Control.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.2

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

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|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The formal Risk Management Framework and Policy lays down the risk management's objectives and processes established by the Board with formalised governance structure of the risk management activities of the Group established.</p> <p>The principles, practices and process of the Risk Management Framework and Policy established by the Board are, in material aspects guided by the ISO 31000:2018 – Risk Management Guidelines.</p> <p>During the financial year end under review and up to date of this report, SRMC had conducted assessment exercise whereby existing strategic, governance and key operational risks of key operating subsidiaries were identified, assessed and treated based on the Risk Management Framework and Policy approved and incorporated into the Key Risk Registers at subsidiary level for on-going risk and opportunities monitoring and assessment. While risks identified in Key Risk Registers of key operating subsidiaries are to be monitored and managed by Risk Owners identified at subsidiary level, such risks were consolidated, based on nature of risks, into Consolidated Risk Registers at the Group level for monitoring and management by SRMC. As planning phase of risk-based quality management system and environmental management system in line with ISO 9001:2015 and ISO 14001:2015 certification for its key subsidiary, Risk and Opportunity Registers were compiled by Quality Management Representatives ("QMR"), with respective Managers and Heads of Department (i.e. the Risk Owners) responsible for managing risks and opportunities identified and fed to SRMC for its review and consolidation into the Group's Key Risk Profile.</p> <p>The result of the above risk assessments as contained in Key Risk Profile were presented to the Board through Board Risk Management Committee for review and deliberations.</p> <p>Please refer to the Statement on Risk Management and Internal Control for the further disclosures on the features risk management framework and internal control system as well as the opinion of the Board on the state of the risk management and internal control system within the Group.</p> |
| Explanation for departure | : | |

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

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

Intended Outcome

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.

| | | |
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| Application | : | Adopted |
| Explanation on adoption of the practice | : | <p>During the financial year under review, Board Risk Management Committee ("BRMC"), which comprises of independent directors was established by the Board. The BRMC is governed by written terms of reference and formal Risk Management Framework and Policy.</p> <p>The roles and responsibilities of the BRMC is prescribed within the formal Risk Management Framework and Policy and includes review, assess, formulate and recommend risk strategies, framework, policies, processes, tolerance and risk appetite limits to the Board.</p> <p>Further disclosures on the roles and responsibilities of the BRMC are disclosed in the Annual Report's Statement on Risk Management and Internal Control.</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.

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|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>In ensuring the internal audit function is effective and able to function independently, the terms of reference of the Audit Committee provides the following oversight role of the Audit Committee which includes the followings:</p> <ul style="list-style-type: none"> • review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work; • review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function; • review any appraisal or assessment of the performance of members of the internal audit function; • approve any appointment or termination of senior staff members of the internal audit function; and • To determine the remit of the internal audit function <p>The oversight role of the Audit Committee and the activities taken by the Audit Committee on the internal audit function during the financial year is disclosed in Audit Committee Report and Statement on Risk Management and Internal Control.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 10.2

The board should disclose–

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The internal audit function of the Company is outsourced to NeedsBridge Advisory Sdn Bhd and is reporting directly to the Audit Committee with unrestricted access to the Group’s employees and documents in the performance of their engagement. The details of the internal audit function and oversight role of the Audit Committee on the function are disclosed in the Audit Committee Report and Statement on Risk Management and Internal Control, including but not limited to, the details of the engagement, review of the outsourced internal audit function’s resources and continuous professional developments.</p> <p>The engagement director of the outsourced internal audit function is a Certified Internal Auditors (“CIA”) accredited by the Institute of Internal Auditors Global, and an engagement team of 3 members was deployed by the outsource internal audit function for the internal audits carried out during the financial year, led by a manager who is a CIA, assistant manager and consultants who are members of professional accounting bodies.</p> <p>The internal audit is carried out, in material aspects, in accordance to the International Professional Practices Framework established by the Institute of Internal Auditors Global.</p> <p>For detailed disclosure on outsourced internal audit function, kindly refer to Statement on Risk Management and Internal Control.</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 committed to ensure that the communication with its stakeholders are effective, transparent and timely and has adopted a Corporate Disclosure Policy on 3 April 2017 to provide guidance on communicating and disseminating material information impartially to stakeholders on a timely, accurate, clear and complete manner, in accordance with MMLR and other applicable laws and regulations.</p> <p>The principles stated in the Corporate Disclosure Policy in disclosure of Material Information are as follow:</p> <ol style="list-style-type: none">1. Transparency and accountability2. Compliance with legal regulatory requirements on disclosure3. Confidentiality and timely disclosure4. Fair and equitable access to information <p>In discharging its duty and responsibility in respect of disclosure of Material Information, the Board delegates the implementation of the Corporate Disclosure Policy to Corporate Disclosure Committee, and for the avoidance of doubt, the mandatory disclosure requirement for other information per MMLR and applicable laws and regulations is not delegated to Corporate Disclosure Committee and shall be the responsibility of the Board collectively. The Corporate Disclosure Committee is made up of the Chief Executive Director and a member of Audit Committee and the Committee is tasked with the responsibility to oversee all matters relating to Company's corporate disclosure practice and to ensure adherence to the Corporate Disclosure Policy. The Executive Chairman and Chief Executive Director assume the role of authorized speaker for the Company during press conferences and analyst briefings to ensure factual accurate and consistent disclosure.</p> <p>The Company's website (www.ornapaper.com) provides all relevant information on the Company and is accessible by the public. The Investor Relations section enhances the Investor Relations function by including all announcements made by the Company, annual reports as well as the corporate and governance structure of the Company. Additionally, the "Contact Us" section of the Company's website provides the contact details (including email and contact number) of key personnel of department/division to enable the stakeholders to direct their enquiries to the responsible personnel. The Head of Accounts Department is designated as personnel in charge of investor relations of the Company.</p> <p>In ensuring equal and fair access to information, the announcement of the quarterly financial results is also made via Bursa LINK immediately after the approval by the appropriate authority level based on the formal Corporate Disclosure Policy.</p> |

| | | |
|--|--|--|
| | <p>The Annual Report is another main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group.</p> <p>Another key avenue of communication with its shareholders is the Company's Annual General Meeting ("AGM"), which provides a useful forum for shareholders to engage directly with the Company's Directors. During the general meeting, shareholders are at liberty to raise questions or seek clarification on the agenda items of the general meeting from the Company's Directors. The summary of key matters discussed during the 16th AGM were made available at the "Investor Relation" section of the company's website at www.ornapaper.com.</p> <p>During the financial year under review, the Board provided timely disclosure of all material information of the Group to the shareholders through release of quarterly financial results, announcements and distribution of Annual Reports. Shareholders, investors and members of the public are able to access "Investor Relation" section of the Company's website at www.ornapaper.com for such information.</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 | : | Ornapaper Berhad is not "Large Company" as defined under MCCG as it is not company on the FTSE Bursa Malaysia Top 100 Index and its market capitalisation is less than RM2 billion as at the date of this Report. | |
| | : | - | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | - | |
| Timeframe | : | Others | - |
| | : | | |

Intended Outcome

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

Practice 12.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Notice for the 16th Annual General Meeting was given to shareholders 30 days prior to the meeting, as compared to the minimum mandated period of 21 days for shareholders to have sufficient preparation time to make informed voting decisions.</p> <p>Similarly, the Board is committed in providing the notice of the coming 17th Annual General Meeting to the shareholders at least 28 days prior to the meeting. Such requirement will be updated in the Board Charter during the financial year ended 31 December 2019.</p> <p>The notice of 17th Annual General Meeting will be disseminated through both electronic format (made available on Bursa Securities' website and Company's website) and hardcopy. Additionally, the notice will be advertised in the New Strait Times newspaper.</p> <p>The notice of the annual general meeting includes the following information:</p> <ul style="list-style-type: none">• Date, time and venue of the meeting• Ordinary and special resolutions (if any) that are tabled for approval and explanatory notes and information on the agenda items to be approved• Notes on the voting rights and procedures for shareholders to exercise their rights to appoint proxy in relation to the general meeting. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 12.2

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>During the 16th Annual General Meeting, all directors including the Chairperson of Audit, Nomination and Remuneration Committee attended the meeting and provided response to questions that were addressed to them. The summary of key matters discussed, including the question and response provided by the Executive Director and CED during the 16th Annual General Meeting are made available for download at the “Investor Relation” section of the company’s website at www.ornapaper.com. It is the Board’s informal policy to require all directors to attend general meeting, and the Board Charter will be updated accordingly to include such requirement.</p> <p>Adequate time is given during General Meetings to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters. The external auditors were also present at annual general meeting to provide professional and independent clarification on issues and concerns raised by the shareholders during the meeting.</p> <p>All directors including the Chairperson of Audit, Nomination, Remuneration, and Board Risk Management Committee will attend the 17th General Meeting to enable the respective Chairman of Committees and Directors to provide meaningful response to questions addressed to them.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 12.3

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

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

| | | |
|--|---|--|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>There were 1811 shareholders in the Company as at 12 March 2019.</p> <p>To promote participation of shareholders in remote locations through proxy(ies), the Company's Constitution includes explicit right of proxy (ies) to speak at general meetings, to allow a member who is an exempt authorized nominee to appoint multiple proxies for each omnibus account it holds and imposes no restriction on proxy's qualification.</p> <p>During the financial year under review, the Company did not conduct its general meeting(s) by using electronic voting and webcast for remote shareholder participation as more than 97% of its shareholders were from West Malaysia and it was not cost effective to implement electronic voting and webcast for insignificant remote shareholder participation as the venue of the general meeting in Melaka could be easily accessed by multiple transportation mode (including shared car rental services). Furthermore, reasonable priced electronic voting systems were difficult to be sourced in Malaysia due to limited supply of such services in Malaysia.</p> <p>The Board to consider the electronic voting and webcast for remote shareholder participation if significant proportion of shareholders of the Company are not from West Malaysia and the available of reasonable priced electronic voting systems in Malaysia.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | - |
| Timeframe | : | Others |
| | | - |

**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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