

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 2674  
**COMPANY NAME** : ALCOM GROUP BERHAD  
**FINANCIAL YEAR** : December 31, 2019

## OUTLINE:

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

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The responsibilities of the Board of Directors of Alcom Group Berhad (“<b>AGB</b>” or “<b>the Company</b>”) (“<b>Board</b>”) are set out in the Board Charter. Further details of the roles and responsibilities of the Board are set out in the Corporate Governance Overview Statement (“<b>CG Overview Statement</b>”) in the Annual Report 2019.</p> <p>For the effective functioning of the Board, the Board is assisted by the Board Committees namely, the Audit and Risk Management Committee (“<b>ARMC</b>”), Remuneration Committee (“<b>RC</b>”) and Nomination Committee (“<b>NC</b>”). The Board Committees’ roles, duties and responsibilities in discharging their functions are defined in their respective Terms of Reference.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The responsibilities of the Chairman of the Board which include among others, instilling good Corporate Governance practices, leadership and effectiveness of the Board, are set out in the Board Charter.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Board, Dato' Seri Subahan bin Kamal is an Independent Non-Executive Director, while Heon Chee Shyong is the President cum Chief Executive Officer. There is a clear and distinct division of responsibilities between the Chairman and the President cum Chief Executive Officer to ensure that there is an appropriate balance of power and role, responsibility and accountability at Board level. Their respective responsibilities are set out in the Board Charter.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board is supported by 2 qualified Company Secretaries, Tan Bee Keng and Teh Yi Ting who are both members of The Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”). The Company Secretaries’ responsibilities are set out in the Board Charter.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Prior to Board meetings, all Directors receive notices of meetings together with the full set of Board papers containing information relevant to the businesses prior to the scheduled Board and Board Committee meetings. Reports include key result areas, operational profitability and performance review statements, human resource developments, environment, occupational health and safety, business plans, successions, strategies, as well as proposed announcements and releases comprising quarterly and period-end financial results to Bursa Malaysia Securities Berhad ("<b>Bursa Securities</b>"). Meeting materials are circulated to the Board and Board Committees' members, at least 5 working days prior to their respective meetings.</p> <p>The minutes of the said meetings are circulated and confirmed as a correct record of the proceedings by the Board and Board Committees at their following respective meetings.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The respective roles and responsibilities of the Board, Board Committees, Chairperson, Managing Director/Chief Executive Officer, Executive Director, Non-Executive Directors, Independent Directors' and Company Secretary are set out in the Board Charter. There is also a Schedule of Matters Reserved for Collective Decision of the Board in the Board Charter.</p> <p>The Board Charter is subjected to periodical review cum updates by the Board whenever deemed necessary.</p> <p>The Board Charter is made available for reference in the Company's website at <a href="http://www.alcom.com.my">www.alcom.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is guided by the Code of Ethics established by the Companies Commission of Malaysia for Company Directors. The Group has also in place the Code of Conduct which comprises the following 5 key elements outlining the expectations for employees executing their duties in an ethical manner:</p> <ol style="list-style-type: none"><li>1. Act with integrity and in the Company's best interest</li><li>2. Promote a desirable work environment</li><li>3. Safeguard the Company's assets</li><li>4. Engage in ethical interactions with Government</li><li>5. Deal fairly with third parties</li></ol> <p>The Code of Conduct is available on the Company's website at <a href="http://www.alcom.com.my">www.alcom.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group has in place a whistleblowing policy and procedure which is available on the Company's website at <a href="http://www.alcom.com.my">www.alcom.com.my</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The composition of the Board is as follows:</p> <ul style="list-style-type: none"> <li>➤ 1 Independent Non-Executive Chairman;</li> <li>➤ 2 Independent Non-Executive Directors;</li> <li>➤ 1 President cum Chief Executive Officer; and</li> <li>➤ 3 Executive Directors.</li> </ul> <p>The Board composition complies with Paragraph 15.02 of the Main Market Listing Requirements (“MMLR”) of Bursa Securities that requires at least 2 Directors or 1/3 of the Board, whichever is higher, to be Independent Directors.</p> <p>The Directors with their differing background and specialisations collectively bring with them a wide range of experience and expertise in areas such as finance, accounting and audit, civil engineering, manufacturing, trading, property development and investment, building and construction. The profiles of all Board members are disclosed in the Profile of Directors section of the Annual Report 2019 on pages 5 to 8.</p> <p>The current composition of the Board reflects a good measure of objectivity and impartiality in order to ensure that the interest of the minority shareholders is not compromised. Nevertheless, the Board is considering appointment of an additional Independent Non-Executive Director to have at least 50% of Independent Directors to comply with Practice 4.1 of the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”).</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	The Company has implemented a cumulative 9-year term limit for Independent Directors. The Board Charter has adopted Practice 4.2 of the MCCG 2017 to seek shareholders' approval annually in the event the Board desires to retain, as an independent director, a person who has served in that capacity for cumulatively more than 9 years but no more than 12 years. After 9 years, such independent director may continue to serve on the Board subject to his re-designation as a non-independent director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In the process of identifying and recommending candidates for new appointments to the Board, the NC takes into cognisance, the following criteria:</p> <p>(i) Size, composition, mix of skills, experience, age, cultural background, gender, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and the Group.</p> <p>(ii) The candidate's skills, knowledge, expertise and experience, character, professionalism, integrity and, in the case of a candidate for the position of Independent Non-Executive Director, the independence as defined in the MMLR of Bursa Securities to bring about independence and objectivity in judgement on issues considered and hence, the ability to discharge responsibilities as expected from an Independent Non-Executive Director.</p> <p>(iii) The candidate's understanding of the Group's businesses and activities; and factors that promote boardroom diversity, including gender diversity and other qualities of the Board.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of Board diversity, including gender diversity, for the effective functioning of the Board.</p> <p>In November 2019, the NC agreed to come up with a proposed Board Diversity Policy for the Board's consideration and approval. The Board in February 2020 adopted the proposed Board Diversity Policy. The said Policy stipulates, among other things, that the NC will consider the benefit of all aspects of diversity in order to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.</p> <p>The Company therefore aims to appoint and/or maintain at least 1 woman participation on the Board and will work towards having appropriate age and ethnic diversity in the Board.</p> <p>Currently, the Board has one female director which comprises 14.3% of the Board members.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC, at its meeting in November 2019, took cognizance of the non-existence of a written Policy on Nomination and Assessment Process of Board members. In February 2020, the Board based on the recommendation of the NC, adopted a written Policy on Nomination and Assessment Process of Board members which sets out the process and criteria for selection and assessment of potential candidates for election to the Board of the Company. It is specified in the said Policy that in identifying candidates for appointment as Director, the following approaches will be deployed in sourcing for Board candidates:</p> <ul style="list-style-type: none"> <li>➤ Referrals from Board members, management and major shareholders</li> <li>➤ Directors' registry (e.g. Institute of Corporate Directors Malaysia)</li> <li>➤ Industry and professional associations</li> <li>➤ Independent search firms</li> </ul> <p>The aforesaid Policy is to be practiced in conjunction with the Board Diversity Policy of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NC is chaired by Wong Choon Shein, the Independent Non-Executive Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



## Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In November 2019, the NC undertook the evaluation to assess the Board, Board Committees and each individual Directors. The evaluation was conducted using the Board and Board Committee Evaluation Form, Board Skills Matrix Form, Directors' Evaluation Form and Independent Director Self-Assessment Checklist. Thereafter, the results of the evaluation and recommendations were tabled to the Board.</p> <p>The NC, after having conducted the abovementioned evaluation and assessment in November 2019, concluded that:</p> <ul style="list-style-type: none"><li>(i) the Independent Directors of the Company, viz., Dato' Seri Subahan bin Kamal, Wong Choon Shein and Lam Voon Kean, continued to demonstrate conduct and behaviour that are essential indicators of their independence and each of them continues to fulfill the definition and criteria of independence as set out in the MMLR of Bursa Securities.</li><li>(ii) each Director has the requisite competence, calibre to serve on the Board and Board Committee(s) and had demonstrated his commitment to the Group in terms of time, participation and dialogue during the current year under review.</li><li>(iii) the Board and the Board Committees' composition were adequate in number and there is a right mix of skills and knowledge on the Board as well as the Board Committees. Their respective responsibilities were well defined and set out in the Board Charter. The criteria in the MMLR of Bursa Securities that at least 1 of the members of the ARMC must be a member of the Malaysian Institute of Accountants or a person approved under the MMLR of Bursa Securities is met. The Practices set out in the MCCG 2017 pertaining to the composition of the ARMC have also been adopted.</li></ul> <p>The Board members unanimously concurred with the above conclusions of the NC.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Company has in place a Directors' Remuneration Policy aimed to create a strong performance-oriented environment, and to attract, develop and retain talent.  The Directors' Remuneration Policy is available on the Company's website at <a href="http://www.alcom.com.my">www.alcom.com.my</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 6.2**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The RC’s Terms of Reference is available on the Company’s website at <a href="http://www.alcom.com.my">www.alcom.com.my</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

## Practice 7.1

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

<b>Application</b>	: Applied					
<b>Explanation on application of the practice</b>	: Each Director's detailed remuneration for the financial year ended 2019 ("FY2019") is disclosed in the CG Overview Statement in the Annual Report 2019, as follows:					
	<b>Executive Directors</b>		<b>Alternate Director</b>	<b>Non-Executive Directors</b>		
	Heon Chee Shyong	Yeoh Jin Hoe	Marc Francis Yeoh Min Chang <sup>(4)</sup>	Dato' Seri Subahan Bin Kamal	Wong Choon Shein	Lam Voon Kean
<b>Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fees	-	-	-	108	96	96
Salaries	900	240	264	-	-	-
Bonuses	599	80	88	-	-	-
Statutory contributions <sup>(1)</sup>	225	48	45	-	-	-
Emoluments <sup>(2)</sup>	-	-	-	6	6	7
Benefits-in-kind <sup>(3)</sup>	28	-	-	-	-	-
<b>Total</b>	<b>1,752</b>	<b>368</b>	<b>397</b>	<b>114</b>	<b>102</b>	<b>103</b>
<b>Company</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fees	-	-	-	108	96	96
Salaries	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-
Statutory contributions <sup>(1)</sup>	-	-	-	-	-	-
Emoluments <sup>(2)</sup>	-	-	-	6	6	7
Benefits-in-kind <sup>(3)</sup>	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>102</b>	<b>103</b>

	<p><b>Notes:</b></p> <p>(1) Statutory contributions comprised EPF, SOCSO and EIS.</p> <p>(2) Emoluments comprised attendance allowance and other allowances.</p> <p>(3) Benefits-in-kind comprised provision of company motor vehicle, petrol expenses, driver, medical reimbursement, insurance and phone bill.</p> <p>(4) Alternate Director to Executive Director, Yeoh Jin Hoe and Director of subsidiary company, Alcom Nikkei Specialty Coatings Sdn Bhd.</p> <p>Executive Directors of AGB, Dato' Eng Kim Liong and Ang Loo Leong did not receive any remuneration from the Company nor the Group during FY2019.</p>	
<p><b>Explanation for departure</b></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><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board considered the information of the remuneration of the top 5 Senior Management personnel to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts to attract and retain executive talent.</p> <p>The transparency and accountability aspects of corporate governance applicable to the remuneration of these staff are deemed appropriately served by the disclosures of their remuneration in categories and bands of RM50,000 as disclosed in page 37 of the Annual Report 2019.</p> <p>The Board ensures that the remuneration of the Senior Management commensurate with the overall performance of the Group and the general economic situation, with due consideration to attract, retain and motivate Senior Management to lead and run the Group successfully.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the ARMC is Lam Voon Kean while the Chairman of the Board is Dato' Seri Subahan bin Kamal.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee is stipulated in the existing Terms of Reference of the ARMC.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has in place the External Auditors' Assessment Policy and had carried out an annual assessment on the performance, suitability and independence of the external auditors based on the following 6 key areas:</p> <ul style="list-style-type: none"> <li>(a) competence and quality of audit service;</li> <li>(b) sufficiency of resources;</li> <li>(c) ability to meet deadlines and responding to issues in a timely manner;</li> <li>(d) communication and interaction with the Management;</li> <li>(e) independence, objectivity and professionalism; and</li> <li>(f) whether there are any reprimand or sanction imposed by Audit Oversight Board.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The composition of the ARMC of the Company is made up wholly of Independent Directors. They are:  <ol style="list-style-type: none"><li>1. Lam Voon Kean (<i>Chairperson</i>)</li><li>2. Dato' Seri Subahan bin Kamal (<i>Member</i>)</li><li>3. Wong Choon Shein (<i>Member</i>)</li></ol>

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The members of the ARMC possess the necessary skills to discharge their duties and are financially literate. The profiles of the ARMC members, Dato' Seri Subahan bin Kamal is set out in page 5 of the Annual Report 2019 while Wong Choon Shein and Lam Voon Kean's profiles are provided in page 7.  The training programs that the ARMC members have attended during the FY2019 are disclosed in page 40 of the Annual Report 2019.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group has in place an effective risk management and internal control framework to identify and assess the risks faced by the Group and thereafter, to implement and monitor appropriate internal controls to manage and mitigate those risks. The details of the framework are disclosed in the Directors’ Statement on Risk Management and Internal Control in pages 48 to 51 of the Annual Report 2019.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

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

## Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The key elements of the Risk Management Framework are set out in the Statement on Risk Management and Internal Control, as follows:</p> <ul style="list-style-type: none"><li>• various Board Committees are chaired by the Independent Non-Executive Directors to oversee, monitor and review the Group's and Management's performances;</li><li>• an organisational structure with clearly defined roles and responsibilities with a hierarchical structure of reporting lines and accountability;</li><li>• setting annual plans that are in line with the Group's strategic direction;</li><li>• development of specific action plans to drive the achievement of various initiatives in line with the annual plans;</li><li>• weekly, monthly and ad hoc meetings consisting of departmental meetings, various cross functional meetings and head of departments' meetings for review and resolution of issues as well as to measure and monitor performance achievements;</li><li>• annual performance appraisals which are linked to the annual agreed performance targets with both quantitative and qualitative criteria to raise individual performance;</li><li>• structured training program for employees to maintain high standards on safety, code of conduct and to upgrade the competency levels of their respective professions;</li><li>• terms of reference and delegation of responsibilities to committees of the Board and business operating units, including proper authorisation for all aspects and levels of the business within the Group;</li><li>• regular board meetings to set the Group's goals and objectives, review business operations, to approve significant transactions as well as to approve releases of quarterly and annual financial results;</li><li>• documentation and regular update of risk management and internal controls' policies and procedures as set out in the standard operating policies and procedural manuals. These manuals include credit, quality, safety, health and environment;</li></ul>

	<ul style="list-style-type: none"> <li>• quarterly certification for the manufacturing segment by various levels of employees and representation letters by the Management to the Board on assurances of risk management, internal controls and compliance; and</li> <li>• a whistle-blowing procedure is in place that forms part of the Group's Code of Conduct. This provides an avenue for employees/public to report/complain of any wrongdoing by any employee of the Group, or any breach or suspected breach of any laws or standards in a safe and confidential manner.</li> </ul>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		



**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit function is outsourced to a competent third party service provider and is independent from the management of the Company. The Internal Auditors have direct access to both the ARMC and the Chairman of the ARMC, and reports to the ARMC on all matters of internal control and audit.</p> <p>Details of the Internal Audit function are set out in the ARMC Report in page 47 of the Annual Report 2019.</p> <p>The ARMC evaluates the Internal Audit function on an annual basis.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the FY2019, the internal audit function was outsourced to an independent service provider, Finfield Corporate Services Sdn Bhd (“<b>Finfield</b>”).</p> <p>The internal audit team of Finfield is headed by its Director, Tan Yen Yeow. He is a Chartered Accountant registered with the Malaysian Institute of Accountants. He is also a member of The Institute of Internal Auditors Malaysia and a Certified Internal Auditor. The internal audit team are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The internal audit adopts a risk-based approach in developing its audit plan and addresses core auditable areas of the Group based on their risk profile.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Information is made available to the shareholders and investors through the Annual Reports, the various disclosures and announcements made to Bursa Securities and the Company’s corporate website at <a href="http://www.alcom.com.my">www.alcom.com.my</a> .  The Annual General Meeting provides the principal platform for dialogue and interactions with the shareholders.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a large Company as defined by the MCCG 2017.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	At least 28 days' notice period is given in respect of the Company's forthcoming Second Annual General Meeting (" <b>AGM</b> ") to be held on 23 June 2020. The notice convening the said AGM is dated 21 May 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>At the Company's First AGM held on 29 May 2019, all the Directors of the Company were present.</p> <p>Barring any unforeseen circumstances, all the Directors have confirmed their attendance for the forthcoming Second AGM which will be conducted fully virtual and live-streamed from the broadcast venue on 23 June 2020.</p> <p>The Board members who are also Chairman of the Board Committees have always been present at the AGM to respond to questions raised by the shareholders if addressed to them.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company does not have a large number of shareholders. The AGM of the Company was held in accessible location. The Company also leverages on technology and adopts electronic voting to facilitate general meeting proceedings and voting.</p> <p>The Company's First AGM in 2019 was held in Petaling Jaya, Selangor Darul Ehsan, a location which was easily accessible by the shareholders. Shareholders who were unable to attend and vote at the AGM were encouraged to submit the proxy forms to appoint their representatives to attend the AGM, which allowed them to vote in their absence.</p> <p>In view of the COVID-19 outbreak and having regard for the well-being and safety of our shareholders, the Company will be conducting its AGM in June 2020 fully virtual and through live-streaming from the broadcast venue. This allows shareholders to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote remotely via the Remote Participation and Voting facilities provided by our Share Registrar, Tricor Investor &amp; Issuing House Services Sdn Bhd ("TIIH") through its TIIH Online website at <a href="https://tiah.online">https://tiah.online</a>. The virtual AGM is in compliance with the Company's Constitution, Companies Act 2016 and other legal requirements.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



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

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

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