

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5070  
**COMPANY NAME** : PROTASCO BERHAD  
**FINANCIAL YEAR** : December 31, 2017

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for delivering shareholder value over the long term, through the Group's culture, strategy, values and governance. The Independent Directors have a particular responsibility for challenging the Group's strategy and monitoring the performance of Executive Directors against goals and objectives.</p> <p>The Schedule of Matters reserved for the Board includes various strategic, financial, operational and governance responsibilities.</p> <p>A summary of the Board's activities in the year is set out below:</p> <ul style="list-style-type: none"> <li>• Reviewing and approving the Group's budget and business plan;</li> <li>• Reviewing and approving of the Group' quarterly result;</li> <li>• Reviewing and approving the annual audited financial statements and the Annual Report for financial year 2017;</li> <li>• Review and approve recommendations made by the Nomination &amp; Remuneration Committee (NRC) arising from the annual assessments of the Board, Committees and Directors conducted by the NRC;</li> <li>• Review the internal control and risk management; and</li> <li>• Review current projects and new ventures.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.2

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>	:	Key responsibilities: <ul style="list-style-type: none"><li>• Ensure the integrity and effectiveness of the governance processes of the Board;</li><li>• Ensuring adequate information to facilitate decision making is delivered to the Board on timely manner; and</li><li>• Facilitate all Board meetings and general meetings, and ensure the appropriate level of interaction among members.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>Chairman of the Board: Tan Sri Datuk Dr Hadenan Bin A Jalil The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's Governance process and acts as a facilitator at Board Meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board Member dominates discussion.</li><li>Group Managing Director: Dato' Sri Ir. Chong Ket Pen The Group Managing Director implements the Group's strategies, policies and decisions adopted by the Board and oversees the operations and business development of the Group.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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>	:	Both company secretaries are qualified to act as company secretary under Section 235 of the Companies Act 2016. They are both Associates members of the Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA").  Responsibilities:  a) Advise and update the Board on new statutory and regulatory requirements relating to the discharge of the directors' duties;  b) Monitor the developments in corporate governance and facilitate the Board's application of the best practices of Malaysian Code on Corporate Governance ("MCCG");  c) Manage and coordinate all Board, Committee and general meetings and facilitate Board communications;  d) Attend all Board meetings and ensure that the deliberations and decisions made by the Boards and Board Committee are accurately minuted, and the records of the proceedings of the Board meetings are properly kept;  e) Advise and facilitate the conduct of annual Board Performance Evaluation.
<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>	:	The Board has full and timely access to information with Board papers distributed in advance of meetings, normally five days prior to the meeting, to enable the Directors to prepare for Board meetings.  The Board papers include the minutes of previous Board meeting, minutes of meetings of Board Committees and reports on relevant issues of the meetings covering areas such as financial, investment, operational, litigation, human resources and regulatory compliance matters.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board had adopted a Board Charter which serves as a reference for the Directors.</p> <p>The Board Charter sets out the roles, functions, composition, operations and processes of the Board which is intended to ensure that all the Board members are fully aware of their obligation in discharging their duties and responsibilities.</p> <p>The Board Charter is available for reference at the company's website <a href="http://www.protasco.com.my">www.protasco.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>	:	A Director's Code of Conducts is set out as the rules and values for the Directors in conducting their duties and responsibilities to the highest ethical standards.  The Director's Code of Conduct is available for reference at the company's website <a href="http://www.protasco.com.my">www.protasco.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 board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board encourages employees and associates to report suspected and/or known misconduct, wrongdoing, corruption and instances of fraud, waste and/or abuse involving the resources of the Group.</p> <p>A whistleblowing policy is established to enable employees and associates to raise their concerns without fear.</p> <p>The Whistleblowing Policy is available for reference at the company's website <a href="http://www.protasco.com.my">www.protasco.com.my</a>.</p> <p>The following channels should be used when employees and associate to raise their concerns:</p> <ul style="list-style-type: none"><li>• Via email : <a href="mailto:whistleblow@protasco.com.my">whistleblow@protasco.com.my</a></li><li>• In writing to : The Chairman, Protasco Berhad, 2<sup>nd</sup> Floor, Corporate Block, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor. Tel: 03 8738 3388</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

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

### Practice 4.1

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

<b>Application</b>	:	Applied															
<b>Explanation on application of the practice</b>	:	At present, there are nine members of the Board comprising six Independent Non-Executive Directors, one Non-Independent Non-Executive Director and two Executive Directors.															
		<table border="1"><thead><tr><th><b>Designation</b></th><th><b>No. of Directors</b></th><th><b>Percentage (%)</b></th></tr></thead><tbody><tr><td>Executive Directors</td><td>2</td><td>22</td></tr><tr><td>Non-Independent Non-Executive Directors</td><td>1</td><td>11</td></tr><tr><td>Independent Non-Executive Directors</td><td>6</td><td>67</td></tr><tr><td>Total</td><td>9</td><td>100</td></tr></tbody></table>	<b>Designation</b>	<b>No. of Directors</b>	<b>Percentage (%)</b>	Executive Directors	2	22	Non-Independent Non-Executive Directors	1	11	Independent Non-Executive Directors	6	67	Total	9	100
	<b>Designation</b>	<b>No. of Directors</b>	<b>Percentage (%)</b>														
	Executive Directors	2	22														
	Non-Independent Non-Executive Directors	1	11														
Independent Non-Executive Directors	6	67															
Total	9	100															
<b>Explanation for departure</b>	:																
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																	
<b>Measure</b>	:																
<b>Timeframe</b>	:																

### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Currently, none of the Independent Director has served the Company for more than a cumulative term of nine years.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Company has a nine year policy for independent non-executive directors, as per Company's Succession Planning Policy.  The Director shall retire if he has served a cumulative of nine years continuous service.

### 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>	:	A Director candidate is to be evaluated by the Nomination & Remuneration Committee based on the following basic criteria: <ul style="list-style-type: none"><li>• Complement the current Board composition;</li><li>• Have the required skills, knowledge and expertise to add value to the Board;</li><li>• Able to commit the necessary time to their position; and</li><li>• Maximum number of directorship in other public companies should not exceed 5.</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

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>	:	Appointments are made on merit alone, with due consideration of the benefits of diversity in its broadest sense, including gender.  The Board has appointed a female director, Tham Wei Mei on 1 January 2018.  The Board is constantly looking for suitable female candidates to be appointed to the Board.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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>	:	Candidate for directorship is identified from various sources such as personal recommendation by existing Directors, senior management staff, shareholders, business associates or third party referrals.  All appointments of new Directors are subject to screening and appropriate recommendation of the NRCs prior to consideration and approval of the Boards.
<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>	:	<b>Members</b>	<b>Directorship</b>	<b>Roles</b>
		Dato' Tan Yee Boon	Independent Non-Executive Director	Chairman
		Ir Tan Heng Kui	Non-Independent Non-Executive Director	Member
		Lim Yew Ting	Independent Non-Executive Director	Member
<b>Explanation for departure</b>	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:			
<b>Timeframe</b>	:			



### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination & Remuneration Committee undertook performance evaluation annually which comprises Board assessment, self-assessment and assessment on board committees, and presented the outcome to the Board. Recommend findings to the Board for review and to take appropriate action to improve the performance and function of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The remuneration of the Executive Directors shall be proposed and subject to review by the Nomination and Remuneration Committee (NRC) for Directors' approval.</p> <p>NRC shall take into consideration:</p> <ul style="list-style-type: none"> <li>• Their responsibilities;</li> <li>• Scope of works;</li> <li>• Remuneration paid by other companies in a comparable sector; and</li> <li>• Other relevant factors.</li> </ul> <p>Executive Directors shall also entitled to other standard benefits provided to employee of the company such as company car, medical expenses, insurance coverage.</p> <p>Remuneration for Non-Executive Directors shall be proposed by NRC and reviewed by the Board which comprises the following:</p> <ul style="list-style-type: none"> <li>• The fees and benefits are to be determined and recommended by the Board and to be approved by the shareholders.</li> <li>• Entitled to other benefits provided to employee of the company such as receiving discount for purchasing of property or product developed or sold by the Group.</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>	:		
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**Intended Outcome**

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

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

**Practice 6.2**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nomination &amp; Remuneration Committee comprises of two Independent Directors and one Non-Independent Director.</p> <p>The Committee is chaired by an Independent Director.</p> <p>The Nomination and Remuneration Committee’s Terms of Reference is available for reference at the company’s website <a href="http://www.protasco.com.my">www.protasco.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

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>	:	Directors' Remuneration for the financial year ended 31 December 2017 are as follows:					
		<b>Director's Fee</b>		<b>Salary / Bonus / Benefits</b>		<b>Total (RM)</b>	
		<b>Protasco Bhd (RM)</b>	<b>Subsidiary (RM)</b>	<b>Protasco Bhd (RM)</b>	<b>Subsidiary (RM)</b>		
		Tan Sri Datuk Dr Hadenan Bin A Jalil	120,000	60,000	6,000	-	186,000
		Dato' Sri Ir. Chong Ket Pen	-	-	2,409,467	-	2,409,467
		Dato' Mohd Hanif Bin Sher Mohamed	60,000	60,000	12,000	1,000	133,000
		Dato Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	-	-	-	629,049	629,049
		Dato' Tan Yee Boon	60,000	-	15,000	-	75,000
		Ir. Tan Heng Kui	60,000	36,000	9,000	4,680	109,680
		Suhaimi Bin Badrul Jamil	60,000	-	12,000	-	72,000
	Lim Yew Ting	60,000	-	8,000	-	68,000	
	Tham Wei Mei (appointed on 1 January 2018)	N/A	-	N/A	-	N/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 7.2

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>	:	Applied												
<b>Explanation on application of the practice</b>	:	<p>Top five Senior Management's Remuneration for the financial year ended 31 December 2017 are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc; text-align: center;">Senior Management</th> </tr> </thead> <tbody> <tr> <td style="width: 60%;">RM250,001 – RM300,000</td> <td>1. Mohd Taufik Bin Haron 2. Alan Low Kian Seng</td> </tr> <tr> <td>RM300,001 – RM350,000</td> <td>3. Ho Chun Fuat 4. Ir. Edward Khoo Mong Wei</td> </tr> <tr> <td>RM350,001 – RM400,000</td> <td style="text-align: center;">-</td> </tr> <tr> <td>RM400,001 – RM450,000</td> <td style="text-align: center;">-</td> </tr> <tr> <td>RM450,001 – RM500,000</td> <td>5. Dato' Ir. Kenny Chong Ther Nen</td> </tr> </tbody> </table>	Senior Management		RM250,001 – RM300,000	1. Mohd Taufik Bin Haron 2. Alan Low Kian Seng	RM300,001 – RM350,000	3. Ho Chun Fuat 4. Ir. Edward Khoo Mong Wei	RM350,001 – RM400,000	-	RM400,001 – RM450,000	-	RM450,001 – RM500,000	5. Dato' Ir. Kenny Chong Ther Nen
Senior Management														
RM250,001 – RM300,000	1. Mohd Taufik Bin Haron 2. Alan Low Kian Seng													
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RM400,001 – RM450,000	-													
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<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 7.3 - 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>	:	<p>The Chairman of Audit Committee is Dato' Mohd Hanif Bin Sher Mohamed</p> <p>The Chairman of the Audit Committees is not the Chairman of the Board, so as not to impair the objectivity of the Board's view of the Audit Committees' findings and recommendations.</p> <p>Details composition and activities of the Audit Committees are set out in the Audit Committees Report in 2017 Annual Report.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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 Audit Committee's Terms of Reference provide for the requirements that a former key audit partner to observe a cooling-off period of at least two years before he or she could be appointed as a member of the Audit Committee.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee had assessed the suitability and independence of the external auditors.</p> <p>In its assessment, the Audit Committee considered several factors such as:</p> <ul style="list-style-type: none"> <li>• Adequacy of experience;</li> <li>• Resources of the firm;</li> <li>• The professional staff assigned to the audit;</li> <li>• Independence of Crowe Horwath; and</li> <li>• The level of non-audit services rendered by Crowe Horwath.</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>	:	<b>Members</b>	<b>Directorship</b>	<b>Roles</b>
		Dato' Mohd Hanif bin Sher Mohamed	Independent Non-Executive Director	Chairman
		Dato' Tan Yee Boon	Independent Non-Executive Director	Member
		Suhaimi bin Badrul Jamil	Independent Non-Executive Director	Member

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied								
<b>Explanation on application of the practice</b>	:	<p>The members of the Audit Committee have a vast experience, knowledge and skills to discharge its duty.</p> <p>Audit Committee members have attended training as shown below:</p> <table border="1"><thead><tr><th>Members</th><th>Training</th></tr></thead><tbody><tr><td>Dato' Mohd Hanif bin Sher Mohamed</td><td>20 July 2017 – Sustainability Reporting – What is It and How To Go About Reporting by MIRA . 7 Nov 2017 – Integrating An Innovation Mindset with Effective Governance, Bursa Malaysia.</td></tr><tr><td>Dato' Tan Yee Boon</td><td>10 Feb 2017 – Transfer Pricing, Hong Kong 15 Feb 2017- Analysis on 2017 Worldwide Acquisition Transactions, Hong Kong</td></tr><tr><td>Suhaimi Bin Badrul Jamil</td><td>27 Sept 2017 – Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers, Bursa Malaysia. 7 &amp; 8 Nov 2017 – MIA International Accountants Conference by MIA 18 Nov 2017 – Valuation on Mergers and Acquisitions by MIA</td></tr></tbody></table>	Members	Training	Dato' Mohd Hanif bin Sher Mohamed	20 July 2017 – Sustainability Reporting – What is It and How To Go About Reporting by MIRA . 7 Nov 2017 – Integrating An Innovation Mindset with Effective Governance, Bursa Malaysia.	Dato' Tan Yee Boon	10 Feb 2017 – Transfer Pricing, Hong Kong 15 Feb 2017- Analysis on 2017 Worldwide Acquisition Transactions, Hong Kong	Suhaimi Bin Badrul Jamil	27 Sept 2017 – Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers, Bursa Malaysia. 7 & 8 Nov 2017 – MIA International Accountants Conference by MIA 18 Nov 2017 – Valuation on Mergers and Acquisitions by MIA
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<b>Explanation for departure</b>	:									

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

<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established the necessary risk and internal control structure comprising risk assessment process, internal control measures, reporting function to continuously improve risk management and internal control capabilities.</p> <p>The Group has undertaken the following:</p> <ul style="list-style-type: none"> <li>• Formalisation of risk management policy and procedures and adopted a structured and systematic risk management, monitoring and reporting framework which are tailored to specific circumstances of the Group.</li> <li>• Appointment of the Chief Financial Officer as the Chairman of the Risk Management Committee to coordinate the Enterprise Risk Management activities of the Group</li> <li>• Heightened risk awareness culture in the business process</li> <li>• Compilation of the business units' risk profile in relation to the Group's risk parameters</li> </ul> <p>Details of the Group's Risk Management and Internal Control Framework are set out in the Statement of Risk Management and Internal Control in the Annual Report 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

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>Risk assessment, monitoring and review of the various risks faced by the Group are continuous process and within the key operating units, with the Risk Management Committee (a Management level committee) chaired by the Chief Financial Officer as oversight function as delegated by the Board Risk Management Committee.</p> <p>The Board has received assurance from the Group Managing Director and Chief Financial Officer on the effectiveness of the system of internal control, highlighting any weaknesses and changes in the risk profile.</p> <p>Further details are contained in the Statement of Risk Management and Internal Control which is in the Company's Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.3 - Step Up

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

<b>Application</b>	:	Adopted												
<b>Explanation on adoption of the practice</b>	:	<p>The Board has established a Board Risk Management Committee to oversee the internal controls and risk management processes comprises of the following:</p> <table border="1"><thead><tr><th><b>Members</b></th><th><b>Directorship</b></th><th><b>Roles</b></th></tr></thead><tbody><tr><td>Suhaimi bin Badrul Jamil</td><td>Independent Non-Executive Director</td><td>Chairman</td></tr><tr><td>Dato' Tan Yee Boon</td><td>Independent Non-Executive Director</td><td>Member</td></tr><tr><td>Ir. Tan Heng Kui</td><td>Non-Independent Non-Executive Director</td><td>Member</td></tr></tbody></table>	<b>Members</b>	<b>Directorship</b>	<b>Roles</b>	Suhaimi bin Badrul Jamil	Independent Non-Executive Director	Chairman	Dato' Tan Yee Boon	Independent Non-Executive Director	Member	Ir. Tan Heng Kui	Non-Independent Non-Executive Director	Member
<b>Members</b>	<b>Directorship</b>	<b>Roles</b>												
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Dato' Tan Yee Boon	Independent Non-Executive Director	Member												
Ir. Tan Heng Kui	Non-Independent Non-Executive Director	Member												

### 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>Governed by the Internal Audit Charter, the Group Internal Audit maintained their independence, impartiality, and proficiency and due professional care when conducting their assignments.</p> <p>The annual audit plan is approved by the Audit Committee. The progress and the significant audit findings are reported quarterly to the Audit Committee.</p> <p>The Group Internal Audit has direct and, unrestricted reporting and access to Audit Committee members.</p> <p>Two of the audit executives hold Bachelors in Accountancy while one holds Bachelor in Finance.</p> <p>Further details of the internal audit activities are set out in the Audit Committee Report and Statement on Risk Management and Internal Control in the Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.</p> <p>The Group Internal Audit Department comprises of one manager and three audit executives.</p> <p>The Group Internal Audit Department is headed by Mohd Faisal Bin Mohd Yunus. He holds a Bachelor of Accountancy. He is a member of Malaysian Institute of Accountants (MIA) and Institute of Internal Auditors Malaysia (IIAM).</p> <p>The internal audit function is carried out based on the International Professional Practices Framework by Institute of Internal Auditors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied						
<b>Explanation on application of the practice</b>	:	<p>The Investor Relations Department (IR) plays an important role in ensuring effective, transparent and regular communication with its stakeholders.</p> <p>IR manages the engagement between the management and the fund managers, analyst, and media.</p> <p>IR activities for 2017 as follows:</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Activities</th> </tr> </thead> <tbody> <tr> <td>July 2017</td> <td> <p>Invest Malaysia 2017</p> <ul style="list-style-type: none"> <li>Jointly organised by Bursa Malaysia Berhad &amp; CIMB Investment Bank Bhd</li> <li>A platform provided to local and foreign fund managers to meet selected companies listed on Bursa Malaysia which include Protasco Bhd for updates &amp; investment opportunities</li> </ul> </td> </tr> <tr> <td>October 2017</td> <td> <p>Chinese Delegation Event</p> <ul style="list-style-type: none"> <li>Organized by Bursa Malaysia Bhd</li> <li>China delegation comprising 20 senior management from Chinese Investment Banks listed on Hong Kong Stock Exchange met with selected Malaysian Investment Banks and Public Listed Companies which include Protasco Bhd for business and investment opportunities</li> </ul> <p>Spotlight on Malaysian Public Listed Companies at Phillip Capital Singapore</p> <ul style="list-style-type: none"> <li>Organized by Bursa Malaysia to promote Public Listed Companies which include Protasco Bhd to investors in Singapore</li> </ul> </td> </tr> </tbody> </table>	Month	Activities	July 2017	<p>Invest Malaysia 2017</p> <ul style="list-style-type: none"> <li>Jointly organised by Bursa Malaysia Berhad &amp; CIMB Investment Bank Bhd</li> <li>A platform provided to local and foreign fund managers to meet selected companies listed on Bursa Malaysia which include Protasco Bhd for updates &amp; investment opportunities</li> </ul>	October 2017	<p>Chinese Delegation Event</p> <ul style="list-style-type: none"> <li>Organized by Bursa Malaysia Bhd</li> <li>China delegation comprising 20 senior management from Chinese Investment Banks listed on Hong Kong Stock Exchange met with selected Malaysian Investment Banks and Public Listed Companies which include Protasco Bhd for business and investment opportunities</li> </ul> <p>Spotlight on Malaysian Public Listed Companies at Phillip Capital Singapore</p> <ul style="list-style-type: none"> <li>Organized by Bursa Malaysia to promote Public Listed Companies which include Protasco Bhd to investors in Singapore</li> </ul>
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<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 11.2

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>	:	Currently, the company has not adopt the integrated reporting based on globally recognised framework as it is not required for non-large companies.  The Company issues timely release of its financial results and other mandatory announcements and responds promptly to enquiries from investors, regulators, the public and financial analysts.  The Company has a dedicated website, <a href="http://www.protasco.com.my">www.protasco.com.my</a> , designed to assist its stakeholders to make informed decisions.	
<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>	:	<p>The notices of AGM are sent out to shareholders at least 28 days before the date of the meeting, exceeding the 21 days requirement under the Companies Act 2016 and Listing Requirements.</p> <p>The details of the shareholder's rights are available at <a href="http://www.protasco.com.my">www.protasco.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**

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>	:	All Directors including members of Board Committees attended and participated at the General Meetings. The presence of all Directors allows the shareholders to directly engage with each 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

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>	:	General meetings of Protasco Bhd are always held at its Corporate Office located in De Centrum City, Kajang, Selangor.  All Senior Management were invited to attend. Shareholders has the opportunity to engage with the Board and Senior Management during the meetings.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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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