

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5070
COMPANY NAME : PROTASCO 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company is led by a Board comprising members with a wide range of business, technical, legal and public service experience. This depth and diversity in expertise and perspectives of each director bring vital ingredients necessary for the Company's strategic direction and guidance in the management of the various business activities undertaken by the Protasco Group of Companies.</p> <p>The Board of Directors (Board) plays an important role in setting our Group's overall strategic direction, objectives and goals, including its key values, principles and ethics.</p> <p>The roles and responsibilities of the Board are set out in the Board Charter. The Board has a well-defined framework on the various categories of matters that requires Board's approval and endorsement.</p> <p>A summary of the Board's activities in the year is set out below:</p> <ul style="list-style-type: none">• Reviewing and approving the Group's budget and business plan;• Reviewing and approving of the Group's quarterly results;• Reviewing and approving the annual audited financial statements and the Annual Report for financial year 2019;• Review and approve recommendations made by Board Committees;• Review the internal control and risk management; and• Review current projects and new ventures. <p>The Board is supported by the Group Managing Director, Executive Directors and management, whose responsibilities are to implement the Group's strategies and manage operations of the Group within the approved Discretionary Authority Limits.</p>

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

Intended Outcome

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

Practice 1.2

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

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

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">Chairman of the Board: Dato' Sri Ir. Chong Ket Pen was appointed as the Executive Chairman effective 1st January 2020 in place of the former Chairman, Tan Sri Datuk Dr Hadenan Bin A Jalil who had passed away on 18th September 2019. The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's Governance process and acts as a facilitator at Board and General Meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board Member dominates discussion.Group Managing Director: Dato' Ir. Chong Ther Nen was appointed on 1st January 2020. The former Group Managing Director, Dato' Sri Chong Ket Pen has been redesignated as the group Executive Chairman effective 1st January 2020. The Group Managing Director is responsible to develop and recommend to the Board the Group's annual business plan and budget, and manage day-to-day business affairs of the Company and Group. The responsibilities of Executive Chairman and Group Managing Director are set out in the Board Charter. The Board Charter is available for reference at the company's website www.protasco.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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.

Application	:	Applied
Explanation on application of the practice	:	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, Committees and general meetings and facilitate Board communications; d) Attend all Board meetings and ensure that the deliberations and decisions made by the Board and Board Committees are accurately minuted and the records of the proceedings of the meetings are properly kept; e) Advise and facilitate the conduct of annual Board Performance Evaluation.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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.

Application	:	Applied
Explanation on application of the practice	:	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 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.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board 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 www.protasco.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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.

Application	:	Applied
Explanation on application of the practice	:	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 www.protasco.com.my .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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.

Application	:	Applied
Explanation on application of the practice	:	<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 www.protasco.com.my.</p> <p>The following channels should be used by employees and associates to raise their concerns:</p> <ul style="list-style-type: none">• Via email : whistleblow@protasco.com.my• In writing to : Chairman of the Audit Committee, Protasco Berhad, 2nd Floor, Corporate Block, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor. Tel: 03 8738 3388
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied															
Explanation on application of the practice	:	At present, there are eight members of the Board comprising four Independent Non-Executive Directors, one Non-Independent Non-Executive Director and three Executive Directors.															
		<table border="1"><thead><tr><th>Designation</th><th>No. of Directors</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>Executive Directors</td><td>3</td><td>37.5</td></tr><tr><td>Non-Independent Non-Executive Directors</td><td>1</td><td>12.5</td></tr><tr><td>Independent Non-Executive Directors</td><td>4</td><td>50.0</td></tr><tr><td>Total</td><td>8</td><td>100</td></tr></tbody></table>	Designation	No. of Directors	Percentage (%)	Executive Directors	3	37.5	Non-Independent Non-Executive Directors	1	12.5	Independent Non-Executive Directors	4	50.0	Total	8	100
	Designation	No. of Directors	Percentage (%)														
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Total	8	100															
Explanation for departure	:																
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Measure	:																
Timeframe	:																

Intended Outcome

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

Practice 4.2

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.

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

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted	
Explanation on adoption of the practice	:		
Explanation for departure	:	The Company is not a large company to adopt the step up practice.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.4

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.

Application	:	Applied
Explanation on application of the practice	:	A Director candidate is to be evaluated by the Nomination & Remuneration Committee (NRC) based on the following basic criteria: <ul style="list-style-type: none">• Complement the current Board composition:• Have the required skills, knowledge and expertise to add value to the Board;• Able to commit the necessary time to their position; and• Maximum number of directorship in other public companies should not exceed 5.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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.

Application	:	Applied
Explanation on application of the practice	:	Our Board recognises the importance of diversity in terms of broad range of skills and competencies, experience, background and gender to ensure balanced and effective decision-making. Our Board supports the policy and has appointed two female directors, Tham Wei Mei on 1 st January 2018 and Celine Chan Hooi Li on 1 st January 2020.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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.

Application	:	Applied	
Explanation on application of the practice	:	Candidates for directorship are identified from various sources such as personal recommendation by existing Directors, senior management staff, shareholders, business associates or third party referrals.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The company has established a Board Committee combining the functions of Nomination Committee and Remuneration Committee which is known as Nomination and Remuneration Committee (NRC). The Chairman of NRC is Dato' Tan Yee Boon, an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination & Remuneration Committee (NRC) undertakes performance evaluation annually which comprises Board assessment, self-assessment and assessment on Board Committees. The Chairman of the Nomination and Remuneration Committee will be presented with the analysis of the overall performance evaluation and deliberated at the Nomination and Remuneration Committee meeting. The NRC will assess and identify areas which require improvement and recommend to the Board for action.</p> <p>Based on the outcome of evaluation for the financial year under review, NRC is satisfied that the Board and Board Committees have discharged their duties and responsibilities satisfactorily.</p> <p>NRC opined that the members of the Board are well equipped with the relevant skills, knowledge, expertise and experience to discharge their functions as expected from each of them. The current composition of the Board Committees and the Board are well balanced and able to discharge their responsibilities as required.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The remuneration of the Executive Directors shall be reviewed and proposed by the Nomination and Remuneration Committee (NRC) for Board's approval.</p> <p>NRC shall take into consideration:</p> <ul style="list-style-type: none"> • Responsibilities of the Executive Directors; • Scope of works; • Remuneration paid by other companies in a comparable sector; and • Other relevant factors. <p>Executive Directors shall also be entitled to other benefits such as company car, medical expenses and 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"> • The fees and benefits are to be determined and recommended by the Board and to be approved by the shareholders. • Entitled to other benefits provided to employees of the company such as receiving discount for purchasing of property or product developed or sold by the Group.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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.

Application	:	Applied
Explanation on application of the practice	:	The Nomination & Remuneration Committee comprises two Independent Directors and one Non-Independent Non-Executive Director. The Committee is chaired by an Independent Non-Executive Director, Dato' Tan Yee Boon. The Nomination and Remuneration Committee's Terms of Reference is available for reference at the Company's website www.protasco.com.my .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied																																																				
Explanation on application of the practice	:	Directors' Remuneration for the financial year ended 31 December 2019 are as follows:																																																				
		Director's Fee		Salary / Bonus / Benefits		Total (RM)																																																
		Protasco Bhd (RM)	Subsidiary (RM)	Protasco Bhd (RM)	Subsidiary (RM)																																																	
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Tan Sri Datuk Dr Hadenan Bin A Jalil (passed away on 18/9/2019)</td> <td style="width: 15%; text-align: center;">76,500</td> <td style="width: 15%; text-align: center;">-</td> <td style="width: 15%; text-align: center;">1,500</td> <td style="width: 15%; text-align: center;">-</td> <td style="width: 10%; text-align: center;">78,000</td> </tr> <tr> <td>Dato' Sri Ir. Chong Ket Pen</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1,507,840</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1,507,840</td> </tr> <tr> <td>Dato Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">558,240</td> <td style="text-align: center;">558,240</td> </tr> <tr> <td>Dato' Tan Yee Boon</td> <td style="text-align: center;">51,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">6,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">57,000</td> </tr> <tr> <td>Ir. Tan Heng Kui</td> <td style="text-align: center;">51,000</td> <td style="text-align: center;">36,000</td> <td style="text-align: center;">4,000</td> <td style="text-align: center;">4,680</td> <td style="text-align: center;">95,680</td> </tr> <tr> <td>Suhaimi Bin Badrul Jamil</td> <td style="text-align: center;">51,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">5,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">56,000</td> </tr> <tr> <td>Lim Yew Ting (resigned on 1/1/2020)</td> <td style="text-align: center;">51,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">5,500</td> <td style="text-align: center;">-</td> <td style="text-align: center;">56,500</td> </tr> <tr> <td>Tham Wei Mei</td> <td style="text-align: center;">51,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">3,500</td> <td style="text-align: center;">-</td> <td style="text-align: center;">54,500</td> </tr> </table>					Tan Sri Datuk Dr Hadenan Bin A Jalil (passed away on 18/9/2019)	76,500	-	1,500	-	78,000	Dato' Sri Ir. Chong Ket Pen	-	-	1,507,840	-	1,507,840	Dato Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	-	-	-	558,240	558,240	Dato' Tan Yee Boon	51,000	-	6,000	-	57,000	Ir. Tan Heng Kui	51,000	36,000	4,000	4,680	95,680	Suhaimi Bin Badrul Jamil	51,000	-	5,000	-	56,000	Lim Yew Ting (resigned on 1/1/2020)	51,000	-	5,500	-	56,500	Tham Wei Mei	51,000	-	3,500	-	54,500
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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.

Application	:	Applied												
Explanation on application of the practice	:	<p>Top five Senior management's remuneration for the financial year ended 31 December 2019 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: 70%;">1. Dato' Mohd Taufik Bin Haron</td> <td style="text-align: right;">RM200,001 – RM250,000</td> </tr> <tr> <td>2. Benny Chong Ther Vern</td> <td></td> </tr> <tr> <td>3. Ir Edward Khoo Mong Wei</td> <td style="text-align: right;">RM250,001 – RM300,000</td> </tr> <tr> <td>4. Dato' Ronnie Yap Kee Tian</td> <td></td> </tr> <tr> <td>5. Dato' Ir Kenny Chong Ther Nen</td> <td style="text-align: right;">RM350,001 – RM400,000</td> </tr> </tbody> </table>	Senior Management		1. Dato' Mohd Taufik Bin Haron	RM200,001 – RM250,000	2. Benny Chong Ther Vern		3. Ir Edward Khoo Mong Wei	RM250,001 – RM300,000	4. Dato' Ronnie Yap Kee Tian		5. Dato' Ir Kenny Chong Ther Nen	RM350,001 – RM400,000
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Explanation for departure	:													
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
Measure	:													
Timeframe	:													

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">Chairman of the Board: Dato' Sri Ir. Chong Ket Pen was appointed as the Executive Chairman effective 1st January 2020 in place of the former Chairman, Tan Sri Datuk Dr Hadenan Bin A Jalil who had passed away on 18th September 2019.Chairman of Audit Committee: Suhaimi Bin Badrul Jamil
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The 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.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee has policies and procedures to assess 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">• Staff's experience and competency;• Resources of the firm and ability to meet deadlines;• Availability of key personnel to attend crucial Audit Committee Meetings;• Independence of Crowe Malaysia PLT; and• The level of non-audit services rendered by Crowe Malaysia PLT.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted															
Explanation on adoption of the practice	:	<p>The Audit Committee comprises the following members, who are all Independent Non-Executive Directors:</p> <table border="1"><thead><tr><th>Members</th><th>Directorship</th><th>Roles</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>Lim Yew Ting (resigned on 1st January 2020)</td><td>Independent Non-Executive Director</td><td>Member</td></tr><tr><td>Celine Chan Hooi Li (appointed on 1st January 2020)</td><td>Independent Non-Executive Director</td><td>Member</td></tr></tbody></table>	Members	Directorship	Roles	Suhaimi bin Badrul Jamil	Independent Non-Executive Director	Chairman	Dato' Tan Yee Boon	Independent Non-Executive Director	Member	Lim Yew Ting (resigned on 1 st January 2020)	Independent Non-Executive Director	Member	Celine Chan Hooi Li (appointed on 1 st January 2020)	Independent Non-Executive Director	Member
Members	Directorship	Roles															
Suhaimi bin Badrul Jamil	Independent Non-Executive Director	Chairman															
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Lim Yew Ting (resigned on 1 st January 2020)	Independent Non-Executive Director	Member															
Celine Chan Hooi Li (appointed on 1 st January 2020)	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.

Application	:	Applied								
Explanation on application of the practice	:	<p>The members of the Audit Committee have the necessary 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>Suhaimi Bin Badrul Jamil</td><td><p>9 Apr 2019 – Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.</p><p>22 – 23 October 2019 – MIA International Accountants Conference 2019, Malaysian Institutes of Accountants.</p></td></tr><tr><td>Dato' Tan Yee Boon</td><td><p>31 Oct 2019 – Session On Corporate Governance And Anti-Corruption, Bursa Malaysia.</p><p>4 Nov 2019 – Workshop on Corporate Liability Provision (Section 17A) of The MACC Acct 2009, Bursa Malaysia.</p></td></tr><tr><td>Lim Yew Ting (resigned on 1st Jan. 2020)</td><td><p>9 Apr 2019 – Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.</p></td></tr></tbody></table>	Members	Training	Suhaimi Bin Badrul Jamil	<p>9 Apr 2019 – Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.</p> <p>22 – 23 October 2019 – MIA International Accountants Conference 2019, Malaysian Institutes of Accountants.</p>	Dato' Tan Yee Boon	<p>31 Oct 2019 – Session On Corporate Governance And Anti-Corruption, Bursa Malaysia.</p> <p>4 Nov 2019 – Workshop on Corporate Liability Provision (Section 17A) of The MACC Acct 2009, Bursa Malaysia.</p>	Lim Yew Ting (resigned on 1 st Jan. 2020)	<p>9 Apr 2019 – Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.</p>
Members	Training									
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Lim Yew Ting (resigned on 1 st Jan. 2020)	<p>9 Apr 2019 – Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.</p>									
Explanation for departure	:									
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>										
Measure	:									

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to maintain a sound system of risk management and internal control to safeguard shareholders' investment and Group's assets. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives.</p> <p>The Group has undertaken the following:</p> <ul style="list-style-type: none"> • 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; • Appointment of the Chief Financial Officer as the Chairman of the Risk Management Committee to coordinate the Enterprise Risk Management activities of the Group; • Heightened risk awareness culture in the business process; and • Compilation of the business units' risk profile in relation to the Group's risk parameters. <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 2019 of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<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 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 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted															
Explanation on adoption of the practice	:	<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>Members</th><th>Directorship</th><th>Roles</th></tr></thead><tbody><tr><td>Lim Yew Ting (resigned on 1st Jan. 2020)</td><td>Independent Non-Executive Director</td><td>Chairman</td></tr><tr><td>Ir. Tan Heng Kui (appointed as Chairman on 27th Feb. 2020)</td><td>Non-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>Celine Chan Hooi Li (appointed on 1st Jan. 2020)</td><td>Independent Non-Executive Director</td><td>Member</td></tr></tbody></table>	Members	Directorship	Roles	Lim Yew Ting (resigned on 1 st Jan. 2020)	Independent Non-Executive Director	Chairman	Ir. Tan Heng Kui (appointed as Chairman on 27 th Feb. 2020)	Non-Independent Non-Executive Director	Chairman	Dato' Tan Yee Boon	Independent Non-Executive Director	Member	Celine Chan Hooi Li (appointed on 1 st Jan. 2020)	Independent Non-Executive Director	Member
Members	Directorship	Roles															
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Dato' Tan Yee Boon	Independent Non-Executive Director	Member															
Celine Chan Hooi Li (appointed on 1 st Jan. 2020)	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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has in-house Internal Audit Department (GIAD) to perform internal audit functions.</p> <p>Governed by the Internal Audit Charter, GIAD maintained its 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 of audit assignments and high priority audit findings are reported quarterly to the Audit Committee.</p> <p>GIAD members are kept abreast of development in the profession and industry from periodic internal and external trainings to equip them with the relevant audit skills according to their levels.</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>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>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 (GIAD) comprises a manager and three audit executives. All four members have bachelor degrees. GIAD members have the relevant internal audit experience ranged from 1 year to more than 10 years.</p> <p>The Head of GIAD, Norirman Nordin has been appointed on 2nd December 2019 in place of Han Long Kong who has been assigned to Corporate Office. Norirman has more than 10 years of experience in internal auditing. He is an associate member of Institute of Internal Auditors Malaysia (IIAM).</p> <p>The internal audit function is carried out based on the International Professional Practices Framework by IIAM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	Our Board believes in effective, transparent and regular communication with its shareholders and other stakeholders. Group Managing Director and management engage regularly with fund managers, analysts and media representatives. Our Board also engages shareholders at our AGM and EGM. The events allow shareholders to raise questions directly to our Board and management.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently, the Company has not adopted the integrated reporting based on globally recognised framework as it is not mandatory 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 and financial analysts. The Company has a dedicated website, www.protasco.com.my , 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>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	<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 www.protasco.com.my.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors attended the Annual General Meeting held on 30 May 2019. In addition, the management and external auditors were also present during the meeting. Our Board Chairman together with Directors and management addressed questions from our shareholders and proxies.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>General Meetings of Protasco Bhd are always held at its Corporate Office located in De Centrum City, Kajang, Selangor.</p> <p>The Company does not consider itself having a large number of shareholders. Shareholders of the Company who are unable to attend General Meeting in person are entitled to appoint any representative or Chairman as their proxy to vote on their behalf.</p> <p>The Company utilises an electronic voting system to expedite the voting and facilitate the tabulation process in a timely manner.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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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