

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0056
COMPANY NAME : Grand-Flo Berhad (“Grand-Flo” or “the Company”)
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 (“THE CODE”)

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 Board of Directors (“the Board”) is collectively responsible to oversee Grand-Flo and its subsidiaries’ (“the Group”) risk management strategic planning, succession planning and financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met. The Board provides the necessary leadership to enable the Group’s business objectives are met within the framework of risk management and internal controls as described in the Corporate Governance Overview Statement (“CG Statement”) in the Company’s Annual Report for the financial year ended 31 December 2017 (“AR 2017”).</p> <p>The Board’s role, responsibilities, governance and effectiveness are as set out in the Board Charter which was formalised on 24 April 2013. In discharging its fiduciary duties, the Board has also delegated specific tasks to the Board Committees, all of which operate within respective defined terms of reference. The Board Committees and their respective terms of reference are set out in the Board Charter. Further details are as disclosed in the CG Statement in the AR 2017.</p> <p>The Board Charter serves as a reference point for Board activities. It is designed to provide guidance and clarity for the Directors and Management with regard to the roles of the Board and its Committees, the role of the Group Managing Director/Group President (“GMP/GP”), the requirements of Directors in carrying out their roles and in discharging their duties towards the Company as well as the Board’s operating practices. The Board has also adopted a Code of Ethics and Conduct which is incorporated in the Board Charter of the Company. A copy of the Board Charter is available at the Company’s website at www.grand-flo.com.</p>

	In discharging its responsibilities, the Board is guided by the code of ethics and principles contained in the Code. The Directors of the Company have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly within the Group.	
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	:	<p>The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter. The responsibilities of the Chairman, amongst others, are as follows:</p> <ul style="list-style-type: none"> i. To provide leadership to the Board. ii. To oversee the effective discharge of the Board's supervisory role. iii. To facilitate the effective contribution of all Directors. iv. To conduct and chair Board Meetings and General Meetings of the Company. v. To manage Board communications and Board effectiveness and effective supervision over Management. vi. To ensure that quality information to facilitate decision-making is delivered to the Board on timely manner. vii. To ensure Board Meetings and General Meetings are in compliance with good conduct and best practices. viii. To promote constructive and respectful relations between Board members and between the Board and the Management. ix. Together with the GMD/GP, represents the Company and/or Group to external groups such as shareholders, creditors, consumer groups, local communities and federal, state, and local governments.
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 GMD/GP are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	<p>The positions of Chairman and GMD/GP are separated, clearly defined and are held by two different individuals. Tan Sri Azlan Bin Mohd Zainol is our Independent Non-Executive Chairman who leads and manages the Board by focusing on strategy, governance and compliance whereas the GMD/GP, Mr. Tan Bak Hong manages the business and operations of the Group and implements the Board's decisions.</p> <p>The distinct and separate roles of the Chairman and GMD/GP, with their clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.</p> <p>The respective duties and responsibilities of the Chairman and GMD/GP are as set out in the Board Charter.</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 1.4

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	:	<p>The Board is supported by a qualified and competent Company Secretary. She is a member of the Malaysian Association of Companies Secretaries and is holding a professional certificate as qualified Company Secretary under the Malaysian Companies Act 2016. She possesses over 20 years of experience in corporate secretarial practices.</p> <p>The Board acknowledges that the Company Secretary plays an important role and will ensure that the Company Secretary fulfils the functions for which she has been appointed.</p> <p>The Company Secretary had on 24 August 2017 organised a briefing for the Board on "Malaysian Code on Corporate Governance 2017" to keep the Board abreast of the latest development on the governance matters involving the Company.</p> <p>During the financial year under review, all Board and Committees meeting were properly convened, and accurate and proper records of the proceedings and resolutions passed were taken and maintained in the statutory records of the Company.</p> <p>Overall, the Board is satisfied with the service and support rendered by our Company Secretary to the Board in the discharge of her functions.</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 1.5

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	:	<p>To facilitate the Directors' time planning, the annual board and committee meetings calendar was prepared in advance of each new year by the Company Secretary. The calendar provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the Annual General Meeting ("AGM"). The closed periods for dealings in securities by Directors and principal officers based on the scheduled dates of meetings for making announcements of the Group's quarterly results were also provided therein.</p> <p>The meeting papers is generally furnished to the Board members within five (5) working days prior to the dates of meetings. This is to ensure that the Directors have sufficient preparation time and information to make an informed decision at each Board meeting. Sometimes the submission of certain meeting materials may be less than five (5) working days prior to the dates of meetings due to timing issues in collating relevant information and details.</p> <p>The Notice of Board meetings are sent to the Directors via email at least seven (7) days prior to a meeting.</p> <p>The deliberations and conclusions of matters discussed in the Board or Board Committees meetings are duly recorded in the minutes of meetings. The draft minutes of which is circulated for the Board or Committee Chairman's review within a reasonable timeframe after the meeting. The meeting minutes accurately captured the deliberations and decisions of the Board and/or the Board Committees, including whether any Director abstains from voting or deliberating on a particular matter.</p> <p>All the records of proceedings and resolutions passed are kept at the registered office of the Company.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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 Charter was formalised on 24 April 2013. The Board Charter is intended to identify the role, structure and processes related to key governance activities of the Board. It also serves as a reference point for Board activities. It is designed to provide guidance and clarity for Directors and Management with regard to the roles of the Board and its Committees, the role of the GMD/GP, the requirements of Directors in carrying out their roles and in discharging their duties towards the Company as well as the Board's operating practices.</p> <p>The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.</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	:	<p>The Board has adopted a Code of Ethics and Conduct which is incorporated in the Board Charter of the Company. A copy of the Board Charter is available at the Company's website, www.grand-flo.com.</p> <p>The Code of Ethics and Conduct is to be observed by all Directors and employees of the Group.</p> <p>The Board will review the Code of Ethics and Conduct regularly to ensure that it continues to remain relevant and appropriate.</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 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Group has put in place its Whistle Blowing Policy which is published on the Company's website.	
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	:	The Board consists of nine (9) members, five (5) of them are Independent Directors as follows:- <ul style="list-style-type: none">• Tan Sri Azlan Bin Mohd Zainol• Cheong Kee Yoong• Yu Chee Sing• Lee Eng Eow• Joyce Wong Ai May
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 4.2

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 - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>Mr. Cheong Kee Yoong and Mr. Yu Chee Sing have both served the Board as Independent Non-Executive Directors for a cumulative term of nearly ten (10) years and more than twelve (12) years respectively.</p> <p>In line with the best practice of the Code, the Board upon obtaining the Nomination Committee's recommendation, agreed to seek the approval of the shareholders of the Company at the forthcoming AGM to retain them as Independent Non-Executive Directors of the Company. The Board's justifications for such decision are as set out in the CG Statement and the Notice for convening the forthcoming AGM in the AR 2017.</p> <p>In addition, Mr. Yu Chee Sing who has served the Board for a cumulative term of more than twelve (12) years is subject to re-appointment via a two-tier voting process at the forthcoming AGM 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

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	:	

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	:	<p>The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at the Board and Senior Management levels.</p> <p>The Nomination Committee is responsible to lead the process for the nomination of new candidate for appointment and making the necessary recommendations. In this respect, the role of the Nomination Committee is detailed in its Terms of Reference, which is accessible on the Company's website, www.grand-flo.com.</p> <p>In line with the best practices of the Code and the gained attention of boardroom diversity as an important element of a well-functioned corporation, the Board shall through the Nomination Committee accord due consideration to inculcate diversity policy in the boardroom and workplace which encapsulates not only to gender, but also age and ethnicity.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>At present, the Board consists of nine (9) Directors and one (1) of them is a female Director.</p> <p>The Board recognises the need for gender diversity for at least 30% of women directors in the Company for good governance practices. In heeding this, Ms. Joyce Wong Ai May was appointed as a Director of the Company on 22 December 2017. This appointment is a positive development for the Company in making greater strides towards notable gender diversity in the Board.</p> <p>The Board will continue to search for suitable female candidates to support the Group's objective.</p>	
<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	:	<p>The Nomination Committee of the Company is responsible to oversee the selection and assessment of Directors.</p> <p>The policies and procedures for recruitment and appointment of Directors are guided by the Terms of Reference of the Nomination Committee.</p> <p>The Nomination Committee leverages on various sources and gain access to a wider pool of potential candidates. Besides the recommendation from the existing Board members, management and/or major shareholders, the Nomination Committee also refer to the potential candidate from the industry taking into consideration his/her education, skills and experience.</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

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 Nomination Committee is chaired by the Senior Independent Non-Executive Director, Mr. Cheong Kee Yoong.	
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 Committee assessed and evaluated the performance and effectiveness of the Board and Board Committees as a whole and contribution of each individual Director. The evaluations undertaken by the Nomination Committee during the financial year ended 31 December 2017 ("FYE 2017") are as summarised below:</p> <ul style="list-style-type: none"> • Evaluated the balance of skills, knowledge and experience of the Board. Carried out the assessment and rating of each Director's performances against the criteria as set out in the annual assessment form. The performance of Non-Executive Directors was also carefully considered, including whether he could devote sufficient time to the role. • Undertaken an effectiveness evaluation exercise of the Board and its Committees as a whole with the objective of assessing its effectiveness. • Assessed and recommended to the Board for approval on the re-election of Directors who were due to retire at the Fourteenth AGM pursuant to the Company's Constitution. • Reviewed and assessed the independence of the Independent Directors of the Company. • Reviewed and evaluated the independence of Independent Directors who have served the Board for a cumulative term of more than nine (9) years pursuant to the Code. • Reviewed and assessed the performance of 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

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 Board had, through the Remuneration Committee, established formal and transparent remuneration policies and procedures to attract and retain Directors.</p> <p>The Board will determine the level of remuneration of Board Members, taking into consideration the recommendations of the Remuneration Committee for executive Board Members and/or the GMD/GP. The remuneration of the GMD/GP and Executive Directors are rewarded on performance based.</p> <p>Non-Executive Directors of the Company will be paid a basic fee as ordinary remuneration based on their responsibilities in Committees and the Board, their attendance and/or special skills and expertise they bring to the Board. The fee shall be fixed in sum and not by a commission on or percentage of profits or turnover.</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 6.2

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	<p>The Remuneration Committee comprises the majority of whom are Independent Non-Executive Directors as follows:-</p> <ul style="list-style-type: none"> • Lee Eng Eow (Independent Non-Executive Director) – Chairman • Tan Chuan Hock (Non-Independent Non-Executive Director) – Member • Yu Chee Sing (Independent Non-Executive Director) - Member <p>The Remuneration Committee is principally responsible for the development and review of the remuneration policy and packages of the GMD/GP and Executive Directors including Board Members, where necessary, and subsequently furnishes their recommendations to the Board for adoption. The Remuneration Committee is also responsible to ensure that the remuneration package and benefits of the Board and the Key Management of the Group are benchmarked with industry standards in light of the Group's performance in the industry.</p> <p>Each Director shall abstain from the deliberation and voting on matters pertaining to their own remuneration.</p> <p>The Terms of Reference of Remuneration Committee is accessible on the Group's website, www.grand-flo.com.</p>

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

Intended Outcome

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

Practice 7.1

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	:	The detailed disclosure of the Directors' remuneration received during the FYE 2017 on named basis as recommended by the Code is disclosed in the CG Statement in the AR 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Due to confidentiality and sensitivity of the remuneration package of senior management as well as security concerns, the Company opts not disclose the Top Five Senior Management's remuneration components on named basis in the bands of RM50,000.</p> <p>The Board is of the view that the disclosure of the Senior Management's remuneration components would not be in the best interest of the Company given the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.</p> <p>As an alternative, the Board is of the view that the disclosure of Top Five Senior Management's aggregated remuneration on unnamed basis in the bands of RM50,000 in the annual report is adequate.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company has not put in place any measure to meet the intended outcome.	
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	:	<p>The Audit Committee ("AC") comprises four (4) members who are exclusively Non-Executive Directors with a majority of them are Independent Non-Executive Directors.</p> <p>Mr. Cheong Kee Yoong is the AC Chairman who is a graduate of the Association of Chartered Certified Accountants (ACCA) and a Member of the Malaysian Institute of Accountants (MIA). He is not the Chairman of the Board. He is a Senior Independent Non-Executive Director and is appointed as the AC Chairman since 30 June 2008.</p> <p>Tan Sri Azlan Bin Mohd Zainol is the Chairman of the Board and he is not a member of the AC.</p> <p>The positions of Board Chairman and AC Chairman assumed by different individuals allows the Board and AC to objectively review their findings and recommendations.</p> <p>The Terms of Reference of the AC is available on the Company's website at www.grand-flo.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<p>No former key audit partners of the present and former external auditors have been appointed to the Board or employed by the Group.</p> <p>The 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 AC would be incorporated into the Terms of Reference of the AC. The AC comprises of four (4) members, all whom are Non-Executive Directors and with a majority being independent.</p> <p>Grand-Flo has always recognised the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. Hence, there is no such person being appointed as a member of the AC.</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 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 Board has on 28 November 2017 established the External Auditors Assessment Policy ("the Policy") together with an annual performance evaluation form. The Policy is to outline the guidelines and procedures for the AC to review, assess and monitor the performance, suitability and independence of the External Auditors.</p> <p>The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors.</p> <p>The AC shall obtain a written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The AC shall carry out annual performance assessment of the External Auditors and may request the Executive Directors, the Group Financial Controller and Finance Manager to join the assessment.</p> <p>The annual evaluation form provides a checklist for the AC to carry out a formal review of the independence, effectiveness and efficiency of the External Auditors 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

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 :	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 8.5

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 AC members possess the necessary skills and knowledge to discharge their duties in accordance with the Terms of Reference of the AC. The AC Chairman and a majority of the AC Members are financially literate and they are able to understand matters under the purview of the AC including the financial reporting process.</p> <p>They are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain their active participation during deliberations.</p> <p>During the FYE 2017, all members of the AC have undertaken continuous professional development to keep themselves abreast of relevant development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of their training are as set out in the CG Statement of the AR 2017.</p> <p>In addition, during the AC Meetings, the members were also briefed by the External Auditors on the following key areas:-</p> <ul style="list-style-type: none"> • Financial Reporting developments; • Adoption of Malaysian Financial Reporting Standards; • Malaysian Code on Corporate Governance; and • Other changes in regulatory environment

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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has in place a structured risk management and internal control framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an on-going basis.</p> <p>The Board has received assurance from the GMD/GP and Financial Controller that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group during the FYE 2017.</p> <p>Details of the Group's risk management and internal control framework are set out in the Statement of Risk Management and Internal Control of the AR 2017.</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>The Board has delegated tasks of monitoring the internal control and risk management systems to the Management team. The systems of internal control and risk management are subjected to regular evaluations on their adequacy and effectiveness by the Management team. Any significant risks and mitigating responses are communicated to the Board through the AC to ensure continuing relevance and compliance with current/applicable laws and regulations. The AC assists the Board to review the adequacy and effectiveness of the systems of internal control and risk management in the Group and ensures that appropriate methods and procedures are used to obtain the level of assurance required by the Board.</p> <p>Details of the Group's risk management and internal control framework are set out in the Statement of Risk Management and Internal Control of the AR 2017.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - 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 :	Not Adopted
Explanation on adoption of the practice :	

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 Board has on 28 November 2017 established the Internal Auditors Assessment Policy (“the Policy”) together with an annual performance evaluation form. The Policy is to outline the guidelines and procedures for the AC to review, assess and monitor the performance, suitability and independence of the Internal Auditors.</p> <p>The Internal Auditors are precluded from providing any services that may impair their independence or conflict with their role as Internal Auditors.</p> <p>The AC shall obtain a written assurance from the Internal Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The AC shall carry out annual performance assessment of the Internal Auditors and may request the Executive Directors, Group Financial Controller and Finance Manager to join the assessment.</p> <p>The annual evaluation form provides a checklist for the AC to carry out a formal review of the independence, effectiveness and efficiency of the Internal Auditors of the Company.</p> <p>The internal audit functions and activities carried out during the FYE 2017 are as disclosed in the AC Statement in the AR 2017.</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>The internal audit function is currently outsourced to an independent professional firm, i.e. Baker Tilly Monteiro Heng Governance Sdn Bhd (“Baker Tilly” or “Internal Auditors”). The Internal Auditors reports functionally to the AC of the Company. This reporting relationship promotes independence and objectivity, which assures adequate consideration of audit recommendations and planned suggestive corrective actions. The activities of the Internal Auditors are guided by Annual Internal Audit Plan that are presented to and approved by the AC.</p> <p>The audit personnel from Baker Tilly are free from any relationships or conflicts of interest, which could impair the objectivity and independence.</p> <p>The internal audit function is carried out in accordance with Baker Tilly Internal Audit Methodology, which is closely consistent with the International Professional Practices Framework of the Institute of Internal Auditors. The Head of Internal Auditors from Baker Tilly, is a chartered member of the IIA Malaysia and he was graduated with Association of Chartered Certified Accountants and also a Member of the Malaysian Institute of Accountants.</p> <p>The AC had on 26 February 2018 evaluated the performance of the Internal Auditors for the FYE 2017 upon such evaluation criteria as set out in its Annual Assessment Form, amongst others, the following were some of the criteria reviewed by the AC:</p> <ol style="list-style-type: none">a. Adequacy of resources and experience of the internal audit firm;b. Quality processes of the internal audit firm;c. Competency of the engagement team;d. Governance and independence;e. Internal audit fee, scope and planning; andf. Internal audit reports and communications.

	Upon the evaluation, the AC was satisfied with the competency, experience and resources of the Internal Auditors in discharging their role and responsibilities.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	: Applied
Explanation on application of the practice	<p data-bbox="586 632 1383 793">: The Group recognises the important of being transparent and accountable to its stakeholders and as such, maintains an active and constructive communication policy that enables the Board to communicate effectively with investors, financial community and the public.</p> <p data-bbox="586 835 1383 1031">The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through Annual Report, quarterly announcements of financial results to Bursa Securities, relevant announcements and circulars, Annual and Extraordinary General Meeting and the Company's website.</p> <p data-bbox="586 1066 1383 1262">The Group has also utilised the information technology to broadly and effectively disseminate information across all external communications, the Group has made available the Quarterly Reports and all other announcements made to Bursa Securities on the Company's website, www.grand-flo.com, where shareholders can access information under the 'Investor Relations' tab.</p> <p data-bbox="586 1297 1383 1633">With the progressive interest and heightened investor awareness on the greater need for accountability and transparency, the Board places great importance in maintaining active dialogue and effective communication with shareholders and investors to enable them to make informed investment decisions. As part of the Group's commitment toward this objective, experienced Senior Management personnel are directly involved in the Group's investor relations activities. With the active involvement of the Senior Management personnel, the investment community is assured of views and information on the Group that is appropriate, accurate and timely.</p>

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

Intended Outcome

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

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

Practice 11.2

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

Application	:	Not Adopted	
Explanation on application of the practice	:		
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 12.1

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	:	The notice for convening the upcoming AGM of the Company to be held on 25 June 2018 was provided to shareholders on 30 April 2018, which is at least 28 days before the date of AGM.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>At the previous 14th AGM, all the Directors were present in person to engage directly with shareholders and be accountable for their stewardship of the Company.</p> <p>During the proceedings of the 14th AGM, the Chairman invited shareholders to raise questions pertaining to the Company's audited financial statements and other agendas tabled for approval at the meeting.</p> <p>Upon adjournment of the 14th AGM, the Executive Directors and GMD/GP also presented and briefed the shareholders on the Group's progress of the tracking solutions segment and property segment respectively. Following the presentation, the shareholders were invited to participate in a Questions & Answers session.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	The location of the Company general meetings have always been held in the Klang Valley at locations which are easily accessible as it was familiar to most shareholders of the Company since several past general meetings were held at the same venue.	
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	:		

**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.

Click here to enter text.