

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 3417  
**COMPANY NAME** : Eastern & Oriental Berhad  
**FINANCIAL YEAR** : March 31, 2019

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group is led and controlled by the Board which has overall responsibility for setting goals and strategic directions, establishing goals for management and monitoring the achievement of these goals, overseeing the process of evaluating the adequacy and effectiveness of internal controls, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.</p> <p>The Board is guided by a Board Charter in discharging its fiduciary duties and responsibilities. The Board Charter sets out the composition, roles, functions and processes of the Board and those functions delegated to Board Committees and Management.</p> <p>The Board assumes ultimate accountability and responsibility for the performance and affairs of the Company and together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour.</p> <p>The Board has delegated certain responsibilities to Board Committees, namely, the Audit Committee ("AC"), the Nomination, Remuneration and Scheme Committee ("NRSC") and the Risk Management Committee ("RMC"). Each of the Board Committees operates within its respective Terms of Reference approved by the Board. The Board Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board. The Board has also delegated day-to-day management of the business of the Group to Executive Directors and Management subject to an agreed authority limit contemplated in the Group Authority Chart.</p>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Dato' Azizan bin Abd Rahman is the Chairman of the Board and his roles and responsibilities are stated in the Board Charter which includes, amongst others, leading the Board in strategic planning and provide oversight of the Management of the Company and ensuring the integrity of the governance process and effectiveness of the Board.</p> <p>Dato' Azizan also acts as a facilitator at Board meetings and sets agenda of Board meetings to ensure there is robust discussion and that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.</p> <p>The key responsibilities of the Chairman include:</p> <ul style="list-style-type: none"> <li>a) providing leadership for the board so that the board can perform its responsibilities effectively;</li> <li>b) setting the board agenda and ensuring that board members receive complete and accurate information in a timely manner;</li> <li>c) leading board meetings and discussion;</li> <li>d) encouraging active participation and allowing dissenting views to be freely expressed;</li> <li>e) managing interface between board and management;</li> <li>f) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and</li> <li>g) leading the board in establishing and monitoring good corporate governance practices in the company.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles of the Chairman, Executive Deputy Chairman and the Managing Director are distinct and separate to engender accountability and facilitate clear division of responsibilities to ensure there is a balance of power and authority in the Company.</p> <p>The Chairman, Dato' Azizan bin Abd Rahman provides strong leadership to the Board in its cohesive oversight of Management and ensuring Board effectiveness and standards of conduct while the Executive Deputy Chairman is responsible for strategic planning, business development and oversees the business operations with the Group Managing Director.</p> <p>The Group Managing Director is responsible for the implementation of the Company's strategic plan, policies and decisions adopted by the Board to achieve the Company's objective of creating long-term value for its shareholders.</p> <p>The respective roles and responsibilities of the Chairman, the Executive Deputy Chairman and the Managing Director are set out in the Board Charter of the Company which is published on the Company's website at <a href="http://www.easternandoriental.com">www.easternandoriental.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board is supported by a qualified and competent Company Secretary, a fellow member of MAICSA with over 20 years of relevant experience, who is responsible to the Board for ensuring that all governance matters and Board policies and procedures are adhered to and that applicable laws and regulations are complied with. The Company Secretary ensures that deliberations and discussions at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. The Company Secretary had and will constantly keep herself abreast, through continuous training on the regulatory changes and development.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board meets at least four (4) times a year or more when circumstances require. Where appropriate, decisions are also made by way of circular resolutions in between scheduled meetings during the financial year.</p> <p>An annual meeting calendar scheduling the Board, Board Committees and AGM meeting dates for next calendar year is made available at the end of each calendar year to facilitate the Directors' time planning and preparation before the meeting.</p> <p>All the Directors are furnished with proper agenda with due notice issued and Board papers and reports are prepared by the Management and circulated prior to the meetings to all Directors within a reasonable period for their review for effective discussion and decision-making during the meetings.</p> <p>Senior management and/or external advisors may be invited to attend Board meetings to advise and/or furnish the Board with information and clarification needed on relevant items on the agenda to enable the Directors to arrive at a considered decision.</p> <p>All Directors on the Board and committees of the Board have full and unrestricted access to senior management and the Company Secretary on all matters requiring information for deliberation.</p> <p>The deliberations and decision of the Board and committees of the Board are recorded in the minutes of meetings and the minutes are circulated to the Board and committees of the Board in a timely manner.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	



<b>Timeframe</b>	:		
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### Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is guided by its Board Charter which clearly sets out the composition, roles, functions and processes of the Board and those functions delegated to Board Committees and Management. The matters specifically reserved for the Board are also addressed in the Board Charter. Each of the Board Committee has a defined Terms of Reference that outlines its scope and authority and there is in place a Group Authority Chart that outlines the limit of authority delegated to the Management.</p> <p>In tandem with the issuance of the new CG Guide by Bursa Securities, the Board has reviewed and approved the amendments to the Board Charter in 2018 to be line with the practices in the Malaysian Code on Corporate Governance ("MCCG"). The revised Board Charter is available on the Company's website at <a href="http://www.easternandoriental.com">www.easternandoriental.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Code of Ethics for Directors and the Code of Conduct for Directors and employees established in 2013 were being reviewed and consolidated into a single code known as Code of Conduct and Ethics following the introduction of the new Companies Act 2016 ("Act") and the release of MCCG. The new Code of Conduct and Ethics was approved by the Board in 2018 to promote corporate culture which engenders ethical conduct that permeates throughout the Group.</p> <p>The Code of Conduct and Ethics applies to the Directors, Management and employees of the Group. It is formulated with the intention of achieving the following aims:</p> <ul style="list-style-type: none"><li>• to emphasise the Company's commitment to ethics and compliance with the applicable laws and regulations;</li><li>• to set forth basic standards of ethical and legal behaviour within the Group;</li><li>• to include noble characteristics in performing duties so as to improve work quality and productivity;</li><li>• to improve self-discipline in order to provide the Group with good and quality service; and</li><li>• to enhance skills in the implementation of duties and to be able to adapt to the work environment.</li></ul> <p>The Directors, Management and employees of the Group are required to abide by the Company's Code of Conduct and Ethics in performance of their duties.</p> <p>The Code of Conduct and Ethics is published on the Company's website at <a href="http://www.easternandoriental.com">www.easternandoriental.com</a>.</p>
<b>Explanation for departure</b>	:	

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

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

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board recognised the importance of whistleblowing and is committed to maintain the highest standards of ethical conduct within the Group. As such, the Board has formalised and adopted a Whistle-Blowing Policy which provides a mechanism for any employee of the Group to report genuine concerns relating to any malpractice or improper conduct of the Group's businesses to the Chairman of the AC. Any whistle-blowing employee acting in good faith is protected from retaliation for raising such allegations. Procedures are in place for investigations and appropriate follow-up action.</p> <p>The Board also sets the tone from the top and endeavours to foster a corporate culture that provides a safe and candid environment of openness and honesty. The Board reviews and assess the adequacy of the Whistle-Blowing Policy as and when necessary and make such amendments as it deems appropriate.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Currently, the Board has 10 (ten) members, of whom three (3) are Executive Directors, four (4) are Independent Non-Executive Directors and three (3) are Non-Independent Non-Executive Directors. The Non-Executive members of the Board bring a wide range of business and financial experience to the Board, which contributes to the effective direction of the Group. The Company has fully complied with the requirement for one third (1/3) of its members to be independent as stated in Paragraph 15.02(1) of the Main Market Listing Requirements ("MMLR") of Bursa Securities.</p> <p>The current Board which is comprised of high calibre Directors has a wide mix of different skill sets and the professional diversity of the members provides an atmosphere where deliberations draw a wide range of viewpoints which are at most times challenged before a decision is arrived at. There is no individual Director or group of Directors who dominates the Board's decision making. The Chairman also fosters discussion wherein dissent is freely expressed whilst ensuring that deliberations and discussion are in the best interest of the Company.</p> <p>The Board has regarded the current Board composition to be effective in decision making at the Board level where independent deliberation is still being upheld with the presence of the four (4) Independent Non-Executive Directors. The views and deliberations of these Independent Directors are usually aligned to safeguard public interest and this had brought independence and objectivity to Board deliberations of the Company.</p> <p>There are robust deliberations during Board and Board Committee meetings and the Independent Directors are unafraid to express an unpopular stance on issues or disagreement on matters and do not shy away from asking hard questions or request more information where necessary.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board, through the NRSC assesses Independent Directors annually to ascertain if they display a strong element of objectivity, both in appearance ("perceived independence") as well as of mind ("independence in thought and action").</p> <p>Dato' Azizan bin Abd Rahman and Datuk Vijeyaratnam a/l V. Thamotharam Pillay have each served the Board for a cumulative period exceeding twelve (12) years. At the last annual general meeting held in August 2018, the stockholders of the Company had approved the retention of Dato' Azizan bin Abd Rahman and Datuk Vijeyaratnam a/l V. Thamotharam Pillay as the Independent Non-Executive Directors of the Company.</p> <p>The Board is guided by the legal opinion that the "two-tier voting process" is not consistent with the principle of majority rule as affirmed by Siti Norma Yaakob J in <u>Jaya Medical Consultants Sdn Bhd v Island &amp; Peninsular Bhd &amp; Ors</u> [1994] 1 MLJ 520 at p540 and the fundamental proposition that "All shareholders are entitled to equal treatment unless and to the extent that their rights in this respect are modified by the contract under which they hold their shares" (<u>Collaroy Co v Giffard</u> [1928] Ch 144 at 158).</p> <p>There is only one class of ordinary shares in the Company and the rights of the holders, including the right to vote, shall rank pari passu. A resolution which is passed by a majority shareholders must be regarded as having validly passed as a matter of law, irrespective of whether a majority of both Large Shareholder (as defined in the MCGG) and other shareholders had voted in favour of such a resolution as required under the MCGG.</p>



	<p>As such, the Board (save for Dato' Azizan bin Abd Rahman and Datuk Vijeyaratnam a/l VT Pillay) agreed that a single tier stockholders' approval be sought for retention of the Independent Directors at the forthcoming AGM. This process would allow stockholders to be sounding boards to provide feedback to the Board on the Independent Directors who has served beyond the twelfth year.</p>	
	<p>The NRSC has reviewed and recommended to the Board for Dato' Azizan bin Abd Rahman and Datuk Vijeyaratnam a/l V. Thamoatham Pillay to continue to act as Independent Directors of the Company. The NRSC is of the view that the Independent Directors have carried out their responsibilities in good faith in the best interest of the Company and have safeguarded the interests of the minority shareholders of the Company.</p> <p>The Board recognises that its current composition has the right mix of skills, objectivity and in-depth experience required for the Group's businesses. The Board believes that there are significant advantages to be gained in promoting continuity as they have proven to have good understanding of the Company's businesses enabling them to provide independent views and judgment in the best interest of the Company. Based on assessment carried out, both NRSC and the Board concluded that Dato' Azizan bin Abd Rahman and Datuk Vijeyaratnam a/l V. Thamoatham Pillay who have served more than twelve (12) years, remain objective and independent in expressing their views and participation in deliberations and decision making of the Board and Board Committees. In this respect, the Board recommended that they continue to serve as Independent Directors subject to shareholders' approval at the forthcoming AGM of the Company.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRSC is responsible for determining the appropriate character, skills, and experience for the Board as a whole, its individual members including Senior Management with the objective of having a Board with diversified composition, backgrounds and experience in business. All Directors are expected to be individuals with integrity, high personal and professional ethics, sound business judgment, and the ability and willingness to commit sufficient time to the duties of the Board.</p> <p>In evaluating the suitability of individual Board members and Senior Management, the Board takes into account several factors, including skills, knowledge, expertise, experience, professionalism and time commitment to effectively discharge his or her role as a Director, contributions, background, character, integrity and competence. The Board is mindful of the importance of gender, age and ethnic diversity in the composition of the Board.</p> <p>The Board is committed to provide fair and equal opportunities and to nurture diversity (including gender, age and ethnicity) within the Group. The candidates for Board appointments will be considered, taking into account, a range of diversity perspectives, including gender, cultural, competency, skills, character, time commitment, integrity and experience that the selected candidates will bring to the Board.</p> <p>The appointment of Executive Directors and/or Senior Management personnel is also based on predetermined criteria that includes skill sets, integrity and leadership qualities, driven by their respective job descriptions.</p> <p>Currently, the Board is constituted of members who bring hard-edged skills and vast experience from multiple facets with sound understanding of the Group's industry including property development, construction, valuation, architecture, business management, accounting and legal.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

## Intended Outcome

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

## Practice 4.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is mindful of the importance of gender, age and ethnic diversity in the composition of the Board. The Board has established a Board Diversity Policy (as below) which set out the approach for achieving diversity on the Board of the Company:-</p> <div style="border: 1px solid black; padding: 10px;"><p style="text-align: center;"><b><u>BOARD DIVERSITY POLICY</u></b></p><p><b>1. Objective</b></p><p>The Board Diversity Policy (the "Policy") sets out the approach for achieving diversity on the Board of Directors of Eastern &amp; Oriental Berhad ("E&amp;O" or the "Company").</p><p><b>2. Policy Statement</b></p><p><b>2.1</b> In designing the Board's composition, the Board diversity shall be considered from a wide range of aspects, including but not limited to skill, experience, age, cultural background, gender, ethnicity and any other factors that the Board may consider relevant and applicable from time to time. It is recognised that a Board composed of appropriately qualified members with a broad range of experience relevant to the business is important to the effective corporate governance and sustained commercial success of the Company.</p><p><b>2.2</b> In this regard, the Nomination, Remuneration and Scheme Committee ("NRSC") is responsible for determining the appropriate character, skills and experience for the Board as a whole, its individual members including Senior Management with the objective of having a Board with diversified composition, backgrounds and experience in business.</p><p><b>2.3</b> In connection with its effort to create and maintain a diversified Board, the NRSC will:-</p><ul style="list-style-type: none"><li>• in identifying suitable candidates for appointment to the Board, take into account several factors, including skills, knowledge, expertise, experience, professionalism and time commitment to effectively discharge his/her role as</li></ul></div>

	<p>a Director, contributions, background, characters, integrity and competence;</p> <ul style="list-style-type: none"> <li>• in reviewing the Board composition, mindful of the importance of gender, age and ethnic diversity in the composition of the Board and is committed to provide fair and equal opportunities and to nurture diversity (including gender, age and ethnicity) within the Company; and</li> <li>• as part of the performance evaluation of the effectiveness of the Board and individual directors, consider the balance of skills, experience, independence, knowledge and the diversity of representation of the Board.</li> </ul> <p>2.4 The Board appreciates the benefits of having gender diversity within the Board as a mix-gendered board would offer different perspective and insights which would support good decision making in view of the businesses and strategy of the Company. In this respect, the Board seeks to have at least one (1) female Director in the Board but will work towards having more female directors on the Board.</p> <p><b>3. Review</b></p> <p>The NRSC will review and assess the effectiveness of the Policy as and when required to ensure the Policy is in line with the requirement of the Company and any recommendation for revisions shall be highlighted to the Board.</p>
	<p>The Company currently has ten (10) directors on the Board, out of which two (2) are female Directors. This Board composition is in line with the target set in the Board Diversity Policy, i.e. the Board should comprise at least one (1) female Director to address gender diversity. Nevertheless, the Board will work towards having more female Directors on the Board.</p> <p>With the current composition, the Board views that its members have the necessary knowledge, experience, diverse range of skills and competencies to enable them to discharge their duties and responsibilities effectively.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board views the identification and appointment of new Directors as an essential process that must be carried out with foremost diligence and care. The current process of appointment to the Board is based on the recommendations of the NRSC. The responsibilities of the NRSC in this regard include evaluating candidates for directorships based on meritorious criteria such as mix of skills, knowledge, expertise and experience, time commitment, integrity and competencies in meeting the needs of the Company.</p> <p>In sourcing for suitable candidates, the NRSC may receive suggestions from existing Board Members, Management or major shareholders. The NRSC is also amenable to referrals from external sources available, such as industry and professional associations, as well as independent search firms. There was no new appointment of independent non-executive director during the financial year ended 31 March 2019.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The NRSC is chaired by Dato' Azizan bin Abd Rahman, an Independent Non-Executive Director who is also the Chairman of the Board. The NRSC comprises wholly Non-Executive Directors, with a majority being Independent Directors:</p> <ul style="list-style-type: none"><li>(i) Dato' Azizan bin Abd Rahman (Chairman, Independent Non-Executive Director)</li><li>(ii) Datuk Vijeyaratnam a/l V. Thamotheeram Pillay (Member, Independent Non-Executive Director)</li><li>(iii) Encik Kamil Ahmad Merican (Member, Non-Independent Non-Executive Director)</li><li>(iv) Datuk Christopher Martin Boyd (Member, Independent Non-Executive Director)</li></ul> <p>The activities carried out by NRSC during the financial year ended 31 March 2019:</p> <ul style="list-style-type: none"><li>• reviewed and recommended the Non-Executive Directors' fees;</li><li>• discussed and agreed that an independent consultant be appointed for the review of the Non-Executive Directors' fees for the year ended 31 March 2019;</li><li>• reviewed the retirement of Directors and retention of Independent Director;</li><li>• reviewed the results of performance evaluation on Board, Board Committees and Individual Directors including Independent Directors conducted by the independent consultant namely Boardroom Corporate Services (KL) Sdn Bhd in collaboration with KPMG Management &amp; Risk Consulting Sdn Bhd appointed to facilitate objective, professional and candid board evaluations;</li><li>• reviewed the independence of the Independent Directors;</li><li>• reviewed the training needs of the Directors;</li><li>• recommended the revised Directors' Assessment Policy, Directors' Remuneration Policy and Terms of Reference of the NRSC to be in line with the MCCG;</li><li>• discussed and review the practices of MCCG relating to board leadership and effectiveness; and</li><li>• reviewed the Long-Term Stock Incentive Plan, 2012 ("LTIP") to the eligible employees.</li></ul> <p>The Terms of Reference of the NRSC is available online on the Company's website at <a href="http://www.easternandoriental.com">www.easternandoriental.com</a>.</p>



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

## Intended Outcome

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

## Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRSC is responsible for conducting an annual performance evaluation of the Board, Board Committees and individual Directors. The annual evaluation includes an assessment of the independence of Independent Directors. The Board has formalised a Directors' Assessment Policy which sets out the procedures and criteria used in the assessments of Board, Board Committees, individual Directors and independence of Independent Directors. The key objective of the Board evaluation is to ensure that the Board is functioning well. The evaluation also serves as reference point for the Board to evaluate if a balanced, diversified, skilled Board across a wide range of areas and expertise is consistently maintained.</p> <p>In line with Practice 5.1 of MCCG, the Company had in 2018 engaged independent consultants namely, Boardroom Corporate Services (KL) Sdn Bhd ("Boardroom") in collaboration with KPMG Management &amp; Risk Consulting Sdn Bhd ("KPMG") to facilitate objective, professional and candid board evaluations for the year ended 31 March 2018.</p> <p>The Board Effectiveness Evaluation for the year ended 31 March 2019 was carried based on a combination of self and peer assessment by Board members via customised questionnaires, which are premised on qualitative and quantitative criteria. The assessment criteria are benchmarked against good governance practices prescribed by the regulators and best practices. The assessment of the Board and its Committees are based on specific criteria covering the board mix and composition, quality of information and decision-making, strategy and leadership, boardroom activities, board chairman's role and board skill sets. For Individual Directors, the criteria used in the assessment include professional experience, industry knowledge, specific competencies, business acumen, strategic vision, integrity, attendance, preparation for sessions, teamwork, active participation and general contribution and Director's training needs. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Group and the Independent Director's involvement in Board and/or Committee deliberations and any significant transaction with the Group.</p>

	<p>The results of the BEE were tabled to the NRSC. The NRSC has reviewed the outcome of the annual evaluation of Board, Board Committees, Audit Committee members and individual Directors for the financial year ended 31 March 2019 and has subsequently submitted its findings to the Board. The findings indicated that the Board is constituted of members who bring hard-edged skills and vast experience from multiple facets including property development, construction, valuation, architecture, business management, accounting and legal. The presence of high-calibre Directors with complementary skill sets has enriched the deliberation process and allowed the Board to make informed decision. The results of the BEE further indicated that the Directors, Board and Board Committees have discharged their duties and responsibilities effectively. The Board operates cohesively without compromising on the rigour of the deliberations during the Board and Board Committee meetings. Board members have been able to ask uncomfortable questions, challenge on another's assumptions and beliefs coherently as the boardroom is predicated on the values of professionalism, respect and candour. Directors can confidently put across their views without allowing discussions to degenerate into acrimonious proceedings. The Audit Committee is found to be well-positioned to apply a critical and probing view on the Company's transactions and effectively challenge Management's assertions on financials. The Board is of the view that its present size and composition is optimal based on the Group's operations and that it reflects a fair mix of financial, technical and business experiences that are important to the stewardship of the Group.</p> <p>The Board is satisfied that the current Board composition, which has been established after taking into consideration the mix of skills, calibre, competence, character and experience required to effectively stern the Group's directions, combined with expertise possessed by the Management, complement the effective functioning of the Board.</p> <p>.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has put in place a Remuneration Policy and Procedures for Directors and/or Senior Management which aims to attract, develop and retain high performing and motivated Directors with a competitive remuneration package. The remuneration policy and procedures is reviewed by NRSC prior to making its recommendation to the Board for approval. It should be noted that the three (3) Executive Directors also constitute the Senior Management.</p> <p>The remuneration of the Executive Directors and/or Senior Management has been structured on the basis of linking rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the contribution and level of responsibilities undertaken by the Non-Executive Director concerned.</p> <p>The NRSC is responsible for evaluating, deliberating and recommending to the Board the remuneration of Executive Directors and Non-Executive Directors in all its forms, tapping on external advice if necessary.</p> <p>The NRSC recommends the Directors' fees and benefits payable to Non-Executive Directors of the Board and this recommendation is deliberated and decided by the Board before it is presented at the AGM for shareholders' approval. The Company has engaged an external consultant namely KPMG Management &amp; Risk Consulting Sdn Bhd to undertake a review and benchmarking of the Company's existing Non-Executive Directors' fees structure against selected peer companies in property industry and general industry. Following the findings of the review, the Board approved the remuneration in the form of fees for the Non-Executive Directors, as members of the Board and Board Committees for the financial year ended 31 March 2019.</p> <p>The Remuneration Policy and Procedures of Directors and/or Senior Management is available on the Company's website at <a href="http://www.easternandoriental.com">www.easternandoriental.com</a>.</p>

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

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NRSC is authorised by the Board to implement policies and procedures on remuneration including reviewing, deliberating and recommending matters relating to the remuneration of the Board and/or Senior Management.  The Terms of Reference of the NRSC is available on the Company's website at <a href="http://www.easternandoriental.com">www.easternandoriental.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

## Practice 7.1

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

<b>Application</b> :	Applied																																																																																																														
<b>Explanation</b> : <b>on application of the practice</b>	<p>The Board ensures that information relating to Directors' remuneration is made transparent to all stockholders.</p> <p>The detailed disclosure on named basis for the remuneration of individual Directors are set out below:</p> <p><b><u>The Group</u></b></p> <table border="1"> <thead> <tr> <th>Directors</th> <th>Fees RM'000</th> <th>Salaries RM'000</th> <th>Bonuses RM'000</th> <th>Benefits in kind RM'000</th> <th>Other emoluments RM'000</th> <th>Long-Term Stock Incentive Plan RM'000</th> <th>Total RM'000</th> </tr> </thead> <tbody> <tr> <td colspan="8"><b>Executive Directors</b></td> </tr> <tr> <td>Dato' Seri Tham Ka Hon</td> <td>-</td> <td>2,138</td> <td>1,601</td> <td>167</td> <td>588</td> <td>-</td> <td>4,494</td> </tr> <tr> <td>Kok Tuck Cheong</td> <td>-</td> <td>1,200</td> <td>1,600</td> <td>71</td> <td>365</td> <td>-</td> <td>3,236</td> </tr> <tr> <td>Kok Meng Chow</td> <td>-</td> <td>612</td> <td>446</td> <td>52</td> <td>127</td> <td>-</td> <td>1,237</td> </tr> <tr> <td colspan="8"><b>Non-Executive Directors</b></td> </tr> <tr> <td>Dato' Azizan bin Abd Rahman</td> <td>360</td> <td>-</td> <td>-</td> <td>38</td> <td>2</td> <td>-</td> <td>400</td> </tr> <tr> <td>Tan Sri Dato' Seri Mohd Bakke bin Salleh</td> <td>100</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> </tr> <tr> <td>Encik Kamil Ahmad Merican</td> <td>120</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>-</td> <td>121</td> </tr> <tr> <td>Datuk Vijeyaratnam a/l V. Thamotheeram Pillay</td> <td>175</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>175</td> </tr> <tr> <td>Datuk Christopher Martin Boyd</td> <td>165</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>165</td> </tr> <tr> <td>Ms Tan Kar Leng @ Chen Kar Leng</td> <td>155</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>155</td> </tr> <tr> <td>Datuk Tee Eng Ho</td> <td>100</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> </tr> </tbody> </table>							Directors	Fees RM'000	Salaries RM'000	Bonuses RM'000	Benefits in kind RM'000	Other emoluments RM'000	Long-Term Stock Incentive Plan RM'000	Total RM'000	<b>Executive Directors</b>								Dato' Seri Tham Ka Hon	-	2,138	1,601	167	588	-	4,494	Kok Tuck Cheong	-	1,200	1,600	71	365	-	3,236	Kok Meng Chow	-	612	446	52	127	-	1,237	<b>Non-Executive Directors</b>								Dato' Azizan bin Abd Rahman	360	-	-	38	2	-	400	Tan Sri Dato' Seri Mohd Bakke bin Salleh	100	-	-	-	-	-	100	Encik Kamil Ahmad Merican	120	-	-	-	1	-	121	Datuk Vijeyaratnam a/l V. Thamotheeram Pillay	175	-	-	-	-	-	175	Datuk Christopher Martin Boyd	165	-	-	-	-	-	165	Ms Tan Kar Leng @ Chen Kar Leng	155	-	-	-	-	-	155	Datuk Tee Eng Ho	100	-	-	-	-	-	100
Directors	Fees RM'000	Salaries RM'000	Bonuses RM'000	Benefits in kind RM'000	Other emoluments RM'000	Long-Term Stock Incentive Plan RM'000	Total RM'000																																																																																																								
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<b>Executive Directors</b>							
Dato' Seri Tham Ka Hon	-	336	641	167	166	-	1,310
Kok Tuck Cheong	-	480	640	71	145	-	1,336
Kok Meng Chow	-	245	178	52	51	-	526
<b>Non-Executive Directors</b>							
Dato' Azizan bin Abd Rahman	260	-	-	-	-	-	260
Tan Sri Dato' Seri Mohd Bakke bin Salleh	100	-	-	-	-	-	100
Encik Kamil Ahmad Merican	120	-	-	-	-	-	120
Datuk Vijeyaratnam a/ V. Thamothersam Pillay	175	-	-	-	-	-	175
Datuk Christopher Martin Boyd	165	-	-	-	-	-	165
Ms Tan Kar Leng @ Chen Kar Leng	155	-	-	-	-	-	155
Datuk Tee Eng Ho	100	-	-	-	-	-	100
<b>Explanation :</b> <b>for</b> <b>departure</b>							
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
<b>Measure :</b>							
<b>Timeframe :</b>							



### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board is of the view that disclosure of top five Senior Management's remuneration on named basis would not be in the Company's best interest due to confidentiality concerns.	
		Nevertheless, the remuneration of the Executive Deputy Chairman, Managing Director and Finance Director who are also the Senior Management of the Company has been disclosed in the Annual Report 2019.  The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and manage the Company successfully, and seeking external expert's advice when necessary.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The AC comprises three (3) members, all of whom are Independent Non-Executive Directors. The AC is chaired by Datuk Vijeyaratnam a/l V. Thamothearam Pillay who is not the Chairman of the Board. The Chairman of the Board is Dato' Azizan bin Abd Rahman. With the position of the Board Chairman and AC Chairman held by different individuals, the Board is able to objectively review the AC's findings and recommendations.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of independence of its External Auditors and that no possible conflict of interest whatsoever should arise.</p> <p>None of the members of the AC were former key audit partners. The AC has in its revised Terms of Reference, provides that a former key audit partner to observe a cooling-off period of at least two (2) years before appointing as a member of the AC.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC is responsible for assessing the capabilities and independence of the External Auditors and to make subsequent recommendations to the Board on the appointment, re-appointment of termination of the External Auditors.</p> <p>The Board maintains a transparent and professional relationship with the External Auditors of the Company through the AC. The AC invites the External Auditors to attend its meetings as and when required, before commencement of the year end audit and upon completion of their audit. The AC reviewed the scope of the audit set out in the audit planning memorandum, work plan, areas of audit emphasis, fee proposal, issues arising from the audit and their resolution and audit judgements, level of errors identified during the audit and recommendations made by the External Auditors.</p> <p>The AC has monitored and assessed the performance and independence of Ernst &amp; Young and is satisfied that the External Auditors have been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the Committee.</p> <p>The AC ensures that the external audit function is independent of the activities it audits, and reviews the contracts for the provision of non-audit services by the External Auditors and ensures that it will not give rise to instances of conflict of interests.</p> <p>The External Auditors have also confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants. In compliance with the requirements of the Malaysian Institute of Accountants, the External Auditors rotate their audit partners assigned to the Group every five (5) years.</p>
<b>Explanation for departure</b>	:	

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

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The AC comprises three (3) members, all of whom are Independent Non-Executive Directors, as follows:</p> <ul style="list-style-type: none"><li>(i) Datuk Vijeyaratnam a/l V. Thamotharam Pillay Independent Non-Executive Director (Chairman)</li><li>(ii) Datuk Christopher Martin Boyd Independent Non-Executive Director (Member)</li><li>(iii) Ms Tan Kar Leng @ Chen Kar Leng Independent Non-Executive Director (Member)</li></ul> <p>The AC is primarily responsible for providing oversight on the Group's financial reporting, disclosure, regulatory compliance and monitoring of internal control processes within the Group. The AC reviews amongst others, the quarterly financial results, unaudited and audited financial statements, internal and external audit reports as well as related party transactions.</p> <p>The Terms of Reference of AC is accessible at the Company's website at <a href="http://www.easternandoriental.com">www.easternandoriental.com</a>.</p>

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC which is comprised of three (3) members, collectively possess a wide range of necessary skills to discharge its duties in accordance to its Terms of Reference. All members of the AC are financially literate and able to understand matters under the purview of the AC including financial reporting process. The Chairman of AC is a member of Malaysian Institute of Accountant and thus fulfilling the requirement of Paragraph 15.09(1)(c) of the MMLR, which calls for at least one (1) member of the AC to be a member of a professional accountancy body. The qualification and experience of the individual AC members are disclosed in the Profile of Board of Directors in the Annual Report 2019.</p> <p>The Board, through the NRSC has assessed the terms of office and performance of the AC and each of its members and is satisfied that the AC and its members have carried out their duties in accordance with the Terms of Reference.</p> <p>During the financial year under review, all the members of the AC had undertaken continuous professional development to keep themselves abreast with relevant developments in accounting and auditing standards, practices and rules. The details of the continuous professional development undertaken by each members of AC are presented in the Corporate Governance Overview Statement of the Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		



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

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges and affirms its overall responsibility for establishing an effective risk management and internal control system which includes governance, strategy, sustainability, operational and compliance related matters. The Board exercises its oversight of risk management and internal control through Audit Committee and Risk Management Committee respectively, which are empowered by their terms of reference.</p> <p>Risk Management Committee periodically reviews risk management risk management framework and activities to ensure they remain relevant. Risk Management Committee meets on a quarterly basis to deliberate the quarterly risk report which reports risks identified and evaluated by Management including the key risks affecting the Group, and that control procedures and mitigation action plans are in place to manage these risks to ensure they are within the acceptable level of tolerance.</p> <p>In view of the limitations that are inherent in the risk management and internal control systems, the Board recognises that such systems are designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate these risks. Such systems can only provide reasonable and not absolute assurance against fraud, material misstatement or loss.</p> <p>The Board has received assurance from the Managing Director and Finance Director that the Group's risk management and internal control systems have operated adequately and effectively for the Financial Year under review, in all material aspects.</p> <p>The Board, as a whole would continue to monitor and review the effectiveness and adequacy of the Group's risk management and internal control framework to ensure they continue to be resilient and reliable in meeting the Group's strategic objectives.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has adopted a structured risk management framework which is aligned with the principles of the international recognised standard of ISO 31000:2018 (Risk Management – Guidelines). The Group’s risk management framework outlines risk management policy, structure, roles of the Board, management and internal audit as well as the risk management process. The risk management process involves identification, evaluation, treatment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the enterprise levels.</p> <p>The key features of the risk management and internal control framework is set out in the Statement on Risk Management and Internal Control of the Annual Report 2019.</p> <p>The risk management and internal control framework is reviewed by the internal audit function periodically to ascertain whether the framework and practices are adequate and effective in managing the risks.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Risk Management Committee comprises three Independent Non-Executive Directors and one Executive Director who bring a mix of relevant business and management knowledge and experience, assisting the Board in carrying out, among others, the responsibility of overseeing the Group's risk management framework and policies.

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Group is outsourced to a professional service firm, Axcelasia Columbus Sdn Bhd which reports independently to the Audit Committee and its role encompasses the evaluation of the adequacy and effectiveness of the Group's internal control system to provide reasonable assurance to the members of the Audit Committee.</p> <p>To ensure that the responsibilities of the internal auditor are fully discharged, the Audit Committee reviews the following:</p> <ul style="list-style-type: none"> <li>(a) the appointment of the internal audit firm;</li> <li>(b) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;</li> <li>(c) the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.</li> </ul> <p>Further, to ensure that the internal audit function is independent of the activities it audits, the head of internal audit reports directly to the Audit Committee. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of risk management, internal control and governance processes within the Company.</p> <p>The detailed activities carried out by the internal audit function are provided in the Audit Committee Report of the Annual Report 2019.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group's internal audit function, which reports directly to Audit Committee, is governed by the Group's Internal Audit Charter which defines its purpose, authority, scope of work, responsibility, independence and code of ethic.</p> <p>The Group's internal audit function is outsourced to professional service firm Axcelasia Columbus Sdn Bhd.</p> <p>The Engagement Director is Mr Mah Siew Hoong who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr. Mah is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).</p> <p>The number of staff deployed for the internal audit reviews ranges from 4 to 6 staff per visit including the Engagement Director. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Certain staff are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence.</p> <p>The internal audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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



### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board endeavours to ensure that communication with the Group's stakeholders are conducted in a continuous and forthcoming matter. In demonstration of this commitment, the Board has formalised a set of Corporate Disclosure Policies and Procedures ("CDPP") which is aimed at developing an effective Investor Relations programme and strategy to communicate fairly and accurately, the corporate vision, strategies, developments, financial results and prospects to investors, the financial community and other stakeholders.</p> <p>The Corporate Disclosure Policies and Procedures provides guidance to the Board and Management on providing accurate, timely and balanced disclosure to the Group's stakeholders whilst simultaneously encouraging a two-way dialogue between the Company and its stakeholders. The Board has identified spokespersons in the handling and disclosure of material information.</p> <p>The Group maintains regular and proactive communication with its stockholders and stakeholders. The Group has a Group Strategy &amp; Communications Department as well as a Corporate Investment and Planning Department, which provides the avenue for two-way communication between the Group and its stockholders, investors and the media.</p> <p>The Group maintains a corporate website at <a href="http://www.easternandoriental.com">www.easternandoriental.com</a> which provides information relating to financial results, press releases, announcements, analyst reports and investor presentations. The public can also direct queries through a dedicated email contact provided in the said website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

### Intended Outcome

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

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

### Practice 11.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Annual Report in its current form provides stakeholders with a balanced, comparable and meaningful overview of the Company's financial and non-financial performance. Different components within the Annual Report such as Management Discussion and Analysis, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control form the components of non-financial information.</p> <p>The Board would like to allow an advocacy period for the awareness of integrated reporting based on a globally recognised framework to be better appreciated by the Management before it is adopted. A readiness assessment will be undertaken by the Board to establish the necessary capacity-building process to evolve towards integrated reporting.</p> <p>The Company continuously enhances its communication with stakeholders by providing comprehensive information with regards to the Company's business operations, financial performance, sustainability &amp; corporate social responsibilities activities and corporate governance practices in its Annual Report. The Sustainability Statement is prepared in accordance to the Global Reporting Initiatives (GRI) Standards.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises AGM as principal forum to engage with the shareholders. In this respect, the notice of AGM with detailed agenda and Annual Report are sent to the shareholders at least 28 days prior to the meeting date, well in advance of the 21 days' notice period required under the Act and MMLR.</p> <p>The 28 days' notice enable the shareholders to have sufficient time to peruse the Annual Report and papers supporting the resolutions proposed, consider the resolutions for informed decision making and the exercise of their voting rights at the AGM.</p> <p>At the AGM, shareholders would be given the opportunity to ask questions regarding resolutions being proposed before putting the resolutions to vote as well as matters relating to the Group's operations in general.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its responsibility to engage shareholders and provide meaningful response to their queries.</p> <p>All Directors of the Company (save for one) attended the 91<sup>st</sup> AGM held on 21 August 2018.</p> <p>The Chairman of the AC, NRSC and RMC as well as Senior Management and the Company's External Auditors were in attendance during the AGM to provide responses to any questions, if any, addressed to them.</p> <p>The responsibilities of the Directors to attend and actively engage shareholders during the General Meetings are codified in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Company has leveraged on technology to facilitate electronic voting for the conduct of poll (“e-polling”) on all resolutions during its AGM held on 21 August 2018. Electronic voting devices were used to provide a more efficient and accurate outcome of the results.</p> <p>However, the Board has yet to facilitate remote stockholder participation at general meetings or voting in absentia using technological means as the Company would like to allow for an advocacy period in assessing the cost and benefits of this undertaking.</p>	
		<p>The general meetings of the Company are always held in a centrally located and easily accessible venue which enables shareholders to attend the meeting easily.</p> <p>Stockholders who are unable to attend the AGM are allowed to appoint proxies to attend, participate, speak and vote at the AGM in his stead.</p>	
		<p>In line with the intended outcome of this practice, the Company continues to observe the development of the respective technology that facilitate voting in absentia and remote shareholders' participation. The Company will recommend to the Board for such technology adoption provided need arise and fit for the Company's capacity. To encourage the shareholders' attendance, the AGM is always held at an easily accessible location in the Klang Valley.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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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