

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5102  
**COMPANY NAME** : GUAN CHONG BERHAD  
**FINANCIAL YEAR** : December 31, 2019

### **OUTLINE:**

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board oversees the business and affairs of the Company and will assume, amongst others, the following duties and responsibilities:</p> <ul style="list-style-type: none"> <li>• reviewing and adopting a strategic plan for the Group, including giving inputs to address the sustainability of the Group's business;</li> <li>• overseeing the conduct of the Group's business, including the Group's and Management Team's performance, and evaluating whether or not its businesses are being properly managed;</li> <li>• identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;</li> <li>• ensuring that all candidates appointed to senior management positions are of sufficient calibre, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;</li> <li>• giving inputs to the development and implementation of an investor relations programme and stakeholder communications policy; and</li> <li>• reviewing the adequacy and integrity of the Group's internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.</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 1.2

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>The Chairman is responsible for the overall leadership and efficient functioning of the Board. The key roles of the Chairman, amongst others, are as follows:</p> <ul style="list-style-type: none"> <li>• Represent the Board to Shareholders and ensure effective communication with shareholders;</li> <li>• Ensure effective operation of the Board and its committees in conformity with the highest standards of corporate governance;</li> <li>• Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making;</li> <li>• Ensure that all Board committees are properly established, composed and operated;</li> <li>• Ensure comprehensive induction programmes for new directors and updates for all directors as and when necessary;</li> <li>• Support the Chief Executive Officer in the development of strategy and, more broadly, to support and advise the Chief Executive Officer; and</li> <li>• Establish a harmonious and open relationship with the Chief Executive Officer.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The roles of the Chairman and the Chief Executive Officer are held by different individuals and the responsibilities of the Chairman and Chief Executive Officer are clearly divided to ensure that there is a balance of power and authority. The Chairman, a Non-Independent Non-Executive Director is primarily responsible for ensuring the effective conduct of the Board whereas Executive management is led by the Managing Director/Chief Executive Officer who is responsible for the day to day management of the business as well as the implementation of the Board policies, decisions and operational effectiveness.
<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>	:	<p>The Company Secretary of the Company is competent and qualified to act as company secretary under Section 235 of the Companies Act 2016. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of her functions. All Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary, advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and their impact and implication to the Company and Directors in carrying out their fiduciary duties and responsibilities.</p> <p>The Company Secretary organises and attends all Board and Board Committees meetings and ensures meetings are properly convened; accurate and proper records are maintained accordingly at the Registered Office of the Company, and produced for inspection, if required.</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

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>	:	A formal and structured agenda, together with a set of Board and Board Committees papers, are forwarded to all Directors at least seven (7) days prior to the Board and Board Committees meetings, to enable the Board to make decisions and for Directors to be prepared to deal with matters arising from such meetings. Presentations to the Board and the Board Committees are prepared and delivered in a manner that ensures a clear and adequate understanding of the subject matter. In addition, reading materials on the subject matter are prepared and circulated prior to each meeting to assist Directors in having an understanding of the subject matter. The Management Team and external advisers are invited to attend Board and Board Committees meetings, as the case may be, to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings and circulated to Board of Directors accordingly.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board recognises the importance of establishing a single source of reference for Board activities through a Board Charter. As such, the Board has adopted a Board Charter to clearly delineate the roles of the Board, Board Committees and Management in order to provide a structured guidance for Directors and Management regarding their responsibilities of the Board, its Committees and Management, including the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Group as well as boardroom activities. The salient features of the Board Charter are also accessible by the public through the Company website <a href="http://www.gcbcocoa.com">www.gcbcocoa.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

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised a Code of Ethics and Code of Conduct which aims to instill, internalise and uphold the value of 'uncompromising integrity' in the behaviour and conduct of the Board of Directors, Management, employees and all stakeholders of the Company. The Code of Ethics and Code of Conduct is accessible through the Company website <a href="http://www.gcbcocoa.com">www.gcbcocoa.com</a>.</p> <p>The Directors and employees of the Group are prohibited from trading in securities or any other kind of property based on price sensitive information and knowledge which has not been publicly announced. Directors are also prompted not to deal in the Company's shares at any point when price sensitive information is shared with them, occasionally in the form of Board papers.</p> <p>To assure accountability and prevent conflict of interest in relation to issues that come before the Board, Directors are required to abstain from deliberation and voting on relevant resolutions in which they have an interest at the Board or any general meeting convened. In the event a corporate proposal is required to be approved by shareholders, the interested Directors will abstain from voting in respect of their shareholdings and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolutions.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group has established and put in place a whistle blowing policy to provide an avenue for any persons, including but not limited to the employees, suppliers as well as members of the public a safe channel of reporting of concerns about possible improprieties.	
<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>	:	The two Independent Directors have formed only one third (1/3) but not half of the Board members. The Board continues with the view that although with the representative of major shareholder on the Board, its existing two (2) Independent Non-Executive Directors, with their extensive knowledge and experience would be able to represent the investment of the public and the minority shareholders. They are independent of Management and free from any undue influence from interested parties which could materially interfere with the exercise of their independent judgment. They play a significant role in bringing impartiality and scrutiny to Board deliberations and decision making, and also serve to stimulate and challenge the Management in an objective manner.	
		The Board, through the Nomination Committee will endeavour to identify suitable candidates with the relevant market and industry knowledge as additional independent directors when the need arises.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	: Applied - Two Tier Voting
<b>Explanation on application of the practice</b>	<p>YBhg Datuk Tay Puay Chuan was appointed as Independent Director since 8 January 2005 and resumed the role as Senior Independent Director of the Company. YBhg Datuk Tay Puay Chuan would have served as Independent Director for a period of more than twelve (12) years by 18 May 2020, the scheduled date for the 2020 Annual General Meeting ("2020 AGM").</p> <p>Tan Ah Lai was appointed as Independent Director since 26 October 2007 and would have served as Independent Director for a period of more than twelve (12) years by 18 May 2020, the scheduled date for the 2020 AGM.</p> <p>Notwithstanding their long tenure in office, the Board is unanimous in its opinion that YBhg Datuk Tay Puay Chuan's and Tan Ah Lai's independence has not been compromised or impaired in any way after having noted the following considerations during the review and assessment of their independence:</p> <ul style="list-style-type: none"><li>• They fulfil the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they will be able to function as check and balance, provide a broader view and bring an element of objectivity to the Board;</li><li>• During their tenure in office, they have not developed, established or maintained any significant relationship which would impair their independence as Independent Directors with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out their duties as Independent Non-Executive Directors and Chairman or member of the Board's Committees;</li><li>• During their tenure in office, they have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of Listing Requirements;</li><li>• They are currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiaries;</li><li>• During their tenure in office as Independent Non-Executive Directors in the Company, they have not been offered or granted any options by the Company. Other than Directors' fees and</li></ul>

	<p>allowances paid which have been an industry norm and within acceptable market rates and duly disclosed in the Annual Report, no other incentives or benefits of whatsoever nature had been paid to them by the Company.</p> <ul style="list-style-type: none"> <li>• Their vast experience and legal and accounting background enable them to provide the Board with a diverse set of experience, expertise and independent judgement; and</li> <li>• They have performed their duties diligently and in the best interest of the Company and provide a broader view, independent and balanced assessment of proposals from the management.</li> </ul> <p>Accordingly the Board strongly recommends retaining the following two Directors as Independent Non-Executive Directors and will be tabling Ordinary Resolutions to shareholders at the 2020 AGM for the said purpose:</p> <ol style="list-style-type: none"> <li>1. YBhg Datuk Tay Puay Chuan (through a two-tier voting process); and</li> <li>2. Tan Ah Lai (through a two-tier voting process).</li> </ol>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**Intended Outcome**

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 Board appoints its members through a formal selection process. This process has been reviewed, approved and adopted by the Board. New candidates will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, that all necessary information is obtained, as well as legal and regulatory obligation are met.</p> <p>The selection criteria used in the appointment process of senior management and directors focus on ensuring a good mix of skills, expertise and experience that are relevant for the Board to discharge its duties and responsibilities in an effective and competent manner. Apart from that, the Nomination Committee also considers the candidate's character, integrity and professionalism, as well as having a balanced mix of age, experience, skills, race, gender and cultural background to facilitate optimal decision-making by harnessing different insights and perspectives.</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 4.5**

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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board recognises that gender diversity is critical to a well-functioning Board and an essential measure of good governance. However, the appointment of a new Board member shall not be guided solely by gender but rather the skills-set, experience and knowledge of the candidate.	
		Currently, the Company does not have a female member in the Board and will evaluate and assess the possibility of appointing any female member to the Board when a vacancy arises and/or suitable candidates are identified.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination Committee does not solely rely on recommendations from either the Management, the existing Board member(s) or major shareholder(s) for the proposed appointment of Directors of the Company. The Nomination Committee may also obtain the list of suitable candidates from independent sources such as directors' registry, open advertisement or use of independent search firms in furtherance of their duties at the Company's expense, subject to approval by the Board, depending on the amount of the fees involved. In the event that the selection process was based solely on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the Nomination Committee will explain why other sources were not used.	
<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 Nomination Committee is chaired by the Senior Independent Non-Executive Director, YBhg Datuk Tay Puay Chuan and comprises wholly of Non-Executive Directors, with a majority of whom are independent. The members of the Nomination Committee are:</p> <ol style="list-style-type: none"><li>1. YBhg Datuk Tay Puay Chuan (Chairman, Independent Non-Executive Director)</li><li>2. YBhg Dato Dr. Mohamad Musa bin Md. Jamil (Member, Non-Independent Non-Executive Director)</li><li>3. Tan Ah Lai (Member, Independent Non-Executive Director)</li></ol> <p>The Nomination Committee operates under its terms of reference and had one (1) meeting during the financial year ended 31 December 2019 which was attended by all members.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<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 Board through the Nomination Committee's annual appraisal, believes that the current composition of the Board brings the requisite mix of skills and core competencies required for the Board to discharge its duties effectively. Furthermore, the Board continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board. The Nomination Committee is also tasked to review succession plans and boardroom diversity and to develop criteria for the assessment of the Board, Board Committees and individual Directors, including where appropriate, criteria on assessing the independence of candidates' appointment as Independent Non-Executive Directors and to assess the contribution and performance of members of the Board.</p> <p>In respect of the assessment for the financial year ended 31 December 2019 which was carried out via questionnaires, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition in terms of size, the balance between Executive Directors, Non-Executive and Independent Directors and mix of skills was adequate.</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

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Company has in place a remuneration policy which aims to attract and retain Directors and senior management necessary for proper governance and hence success of the Group. The Remuneration policy is reviewed from time to time to ensure that the remuneration of Directors and senior management are on par with those of other public listed companies in order to ensure competitive remuneration policy that reflects the prevailing market rate. The Remuneration Policy is available at the Company's website <a href="http://www.gcbcocoa.com">www.gcbcocoa.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

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee was established on 26 April 2005 and is primarily responsible for the development and review of the remuneration policy and packages for the Board members. The Terms of Reference of the Remuneration Committee is published on the website of the Company at <a href="http://www.gcbcocoa.com">www.gcbcocoa.com</a>. The Remuneration Committee comprises wholly of Non-Executive Directors. The members of the Remuneration Committee are as follows:</p> <ol style="list-style-type: none"> <li>1. YBhg Dato Dr. Mohamad Musa bin Md. Jamil (Chairman, Non-Independent Non-Executive Director)</li> <li>2. Tan Ah Lai (Member, Independent Non-Executive Director)</li> <li>3. YBhg Datuk Tay Puay Chuan (Member, Independent Non-Executive Director)</li> </ol> <p>The Remuneration Committee had one (1) meeting during the financial year ended 31 December 2019 which was attended by all members.</p> <p>The Remuneration Committee is responsible for recommending the remuneration packages of Executive Directors to the Board. None of the Executive Directors participated in any way in determining their individual remuneration.</p> <p>The Board as a whole recommends the remuneration of Non-Executive Directors in accordance with the fiduciary duties, experience, level of responsibilities undertaken and time commitments expected of Non-Executive Directors and Board Committee members with individual Directors abstaining from decision in respect of their individual remuneration.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board. Remuneration of the directors for the financial year ended 31 December 2019 was disclosed on a named basis and set out in the Corporate Governance Overview Statement of the Annual Report
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	In respect of the non-disclosure of detailed remuneration of each of the key senior management on a named basis as recommended by the Practice Note 7.2 of the MCCG, the Board views that the transparency in respect of the key senior management's remuneration has been appropriately dealt with by the 'band disclosure' presented in the Corporate Governance Overview Statement.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Audit Committee is not the Chairman of the Board. He is an Independent Non-Executive Director and a member of the Malaysian Institute of Accountants (MIA).	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit Committee has a 2-year cooling-off period policy for a candidate whom is a former key audit partner before being appointed as a member of the Audit Committee. However, the said policy does not apply to the Audit Committee currently given that none of the Audit Committee nor Board members is a former key audit partner as at the date of this Report.	
<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>	:	The Board's obligation to establish formal and transparent arrangements in considering how it should apply financial reporting and internal controls, and maintaining an appropriate relationship with the Group's external auditors is met through the Audit Committee. The Audit Committee discusses with the external auditors the nature and scope of the audit and reporting obligations before audit commences. The Audit Committee ensures that the Management provides timely response on any material queries raised by the external auditors, in respect of the accounting records, financial accounts or system of controls. The Audit Committee is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of external auditors and review and evaluate factors relating to the independence of the external auditors. The Audit Committee works closely with the external auditors in establishing procedures in assessing the sustainability and independence of the external auditors. The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors via an evaluation form. The Audit Committee also seeks written assurance from the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the relevant requirements pertaining to independence.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	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 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Audit Committee was established on 10 January 2005 to assist the Board on the discharge of its duties on financial reporting. The composition of the Audit Committee, including its roles and responsibilities are set out in the Audit Committee Report. One of the key responsibilities of the Audit Committee is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Malaysia Securities Berhad and the annual statutory financial statements. To assist the Board in reviewing the financial information and to ensure compliance with applicable financial reporting standards, all the Audit Committee members continuously undertake professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.
<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>	:	In dealing with its stewardship responsibilities, the Board recognises that an effective risk management is part of good business management practice. The Board acknowledges that all areas of the Group's activities involve some degree of risk and is committed to ensuring that the Group has an effective risk management framework and internal control system which will allow the Group to be able to identify, evaluate, monitor and manage risks continuously that may affect the achievement of the Group's business objectives.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The key elements and features of the Group’s Risk Management Framework and Internal Control System are disclosed under the Statement on Risk Management and Internal Control in the Annual Report 2019. The Risk Management and Internal Control System is regularly reviewed by the Board to ensure that the system in place is appropriate, adequate and effective.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

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

### **Practice 9.3 - Step Up**

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

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

## Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is fully aware of the importance of the internal audit function and has outsourced this function to an independent professional service provider to provide an independent appraisal over the system of internal control of the Group to the Audit Committee.</p> <p>The internal auditors adopt a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business unit of the Group. Scheduled internal audits are carried out by the internal auditors based on the approved internal audit plan. The internal auditors provide quarterly reports to the Audit Committee, reporting on the outcome of the audits conducted which highlight the effectiveness of the system of internal control and significant risks. Any significant control lapses and/or deficiencies noted from the reviews will be documented and communicated to management for review and corrective actions. The Audit Committee reviews and evaluates the key concerns and issues and ensures that appropriate and prompt remedial action is taken by management.</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>	:	The Group has outsourced its internal audit function to an independent professional service provider (“Internal Auditors”) which carries out its functions independently in accordance with the International Professional Practices Framework (IPPF) and COSO Framework. The Internal Auditors provide the Audit Committee and the Board with the assurance on the adequacy and effectiveness of the system of internal controls. Led by Mr Pang Nam Ming (FCCA, CA(M), CMIA, CIA), the Internal Auditors consist of 11 staffs including Director, Managers and Consultants.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company recognises the importance of being transparent and accountable to its stakeholders and, as such, maintains an active and constructive communication policy that enables the Board and Management to communicate effectively with investors, financial community and the public generally.</p> <p>The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the annual and extraordinary general meetings and through the Company's corporate website at <a href="http://www.gcbcocoa.com">www.gcbcocoa.com</a>, from which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has provided concise information in relation to its strategy, performance, governance and prospects through various statements published in the Annual Report, such as financial statements, corporate governance overview statement, sustainability statement and statement of corporate social responsibility. This is to ensure that the stakeholders are well informed of the business and performance of the Company and to promote transparency and accountability of the Company.	
<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 12.1

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>	:	The Company dispatched its Notice of Annual General Meeting ("AGM") to shareholders at least twenty eight days before the AGM in 2020 and will continue to do so for the forthcoming AGMs.	
<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>	:	The Company's Annual General Meeting ("AGM") provides a vital platform for both private and institutional shareholders to share viewpoints and acquire information on issues relevant to the Group. Shareholders are encouraged to attend and participate at the AGM by raising questions on the resolutions being proposed or on the Group's business operations in general. Shareholders who are unable to attend are allowed to appoint proxies. Members of the Board including the chairman of Audit Committee, Remuneration Committee and Nomination Committee, the external auditors and where applicable, other advisers of the Company are present to answer queries at the AGM as well as to discuss with shareholders and invited attendees and members of the press. Shareholders and the public can convey their concerns and queries to the Company's Senior Independent Non-Executive Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.3**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company always makes sure that its meeting is held at an accessible location but not in remote areas in order to encourage shareholders to attend and participate in the meeting. Given that the shareholder base of the Company is not that large, it is costly to invest in technology to facilitate voting in absentia at this moment.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

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

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

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