

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 3441  
**COMPANY NAME** : Johan Holdings Berhad  
**FINANCIAL YEAR** : January 31, 2020

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the oversight and overall management of the Company, with an ultimate accountability and responsibility for the performance of the Company and the promotion of legitimate interests of the Company, its shareholders and other stakeholders.</p> <p>The principal responsibilities of the Board include:</p> <ul style="list-style-type: none"><li>• Reviewing and adopting a strategic plan, including setting performance objectives and approving operating budgets for the Group and ensuring that the strategies promote sustainability;</li><li>• Overseeing the conduct of the Company's business and building sustainable value for shareholders;</li><li>• Reviewing procedures to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;</li><li>• Succession planning, including appointing, assessing, training, fixing the compensation of, and where appropriate, replacing Senior Management;</li><li>• developing and implementing a Corporate Disclosure Policy (including an investor relations programme or shareholder communications policy) for the Group;</li><li>• Reviewing the adequacy and integrity of the Group's internal control and management information systems, including systems for compliance with the applicable laws, regulations, rules, directives and guidelines;</li><li>• Monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;</li></ul>

	<ul style="list-style-type: none"> <li>• Ensuring that the Company’s financial statements are true and fair and conform with the relevant accounting standards;</li> <li>• Monitoring and reviewing policies and procedures relating to occupational health and safety to ensure compliance with the relevant laws and regulations; and</li> <li>• Ensuring that the Company adheres to the highest standards of ethics and corporate behaviour.</li> </ul> <p>The Board has delegated certain responsibilities and duties to the Board Committees, namely Audit Committee, Remuneration Committee and Nominating Committee, all of which discharge their duties and responsibilities within the specific terms of reference approved by the Board. Except for the Remuneration Committee, the Board Committees do not have executive powers but report to the Board on all matters considered and their recommendations thereon. The ultimate responsibility for decision making lies with the Board.</p> <p>The Board also set out Limits of Authority which outline the relevant matters and applicable limits, including those requiring the Board’s approval and those the Board may delegate to Management. Key matters reserved for the Board’s approval include the annual budget, Business Continuity Plan, new issues of securities, business restructuring, capital expenditure above predefined limits, disposal of significant fixed assets, and the acquisition or disposal of companies within the Group. Management remains accountable to the Board for the authority being delegated.</p> <p>The Board meets quarterly to review and monitor the Group’s financial and operational performance.</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>The Chairman carries out a leadership role in the conduct of the Board and its relations with the shareholders and other stakeholders.</p> <p>The Chairman is primarily responsible for:</p> <ul style="list-style-type: none"> <li>• leading the Board in the oversight of management;</li> <li>• long range strategic planning for the Group;</li> <li>• representing the Board to shareholders and to chair and to ensure the efficient organisation and conduct of the Board and/or meeting of the shareholders;</li> <li>• ensuring the integrity of the governance process and issues;</li> <li>• functioning as a facilitator at meetings of the Board to ensure that no member dominates discussion, that appropriate discussions take place and that relevant opinions among members is forthcoming;</li> <li>• ensuring that all Directors are enabled and encouraged to participate in its activities;</li> <li>• guiding and mediating Board actions with respect to organisational priorities and governance concerns; and</li> <li>• performing other responsibilities assigned by the Board from time to time.</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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Chairman of the Board, Tan Sri Dato' Tan Kay Hock also acts as the Chief Executive Officer. Tan Sri Dato' Tan Kay Hock was appointed as the Chairman and Chief Executive of the Company since year 1981. From then, Johan Holdings Berhad rapidly diversified away from its tin mining business and transformed into a Malaysian-grown regional and international group within five (5) years' time.</p> <p>In view of the experience and extensive knowledge of Tan Sri Dato' Tan Kay Hock on the Group's businesses and operations, the Board is of the view that it is in the interest of the Company to maintain Tan Sri Dato' Tan Kay Hock's dual role as Chairman and Chief Executive Officer.</p> <p>There is clear segregation of responsibilities between the Chief Executive Chairman and the Group Managing Director to ensure a balance of power and authority. The Chief Executive Chairman is responsible for long range strategic planning for the Group whilst the Group Managing Director has overall responsibility in managing the Group's business.</p> <p>In addition, the Independent Non-Executive Directors are able to provide unbiased and independent view, advice and judgement to fulfil a pivotal role in corporate accountability.</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**

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 Board is supported by the Company Secretary who is suitably qualified, competent and capable of carrying out the duties required.</p> <p>The primary responsibilities of the Company Secretary include:-</p> <ul style="list-style-type: none"> <li>• provide support to the Board in fulfilling its fiduciary duties;</li> <li>• ensure compliance with regulatory requirements;</li> <li>• ensure adherence to board policies and procedures, rules, relevant laws and the best practice of corporate governance;</li> <li>• attend Board meetings and general meetings, and ensure the proper recording of minutes;</li> <li>• ensure proper upkeep of statutory registers and records.</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 1.5**

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>All Directors are provided with an agenda and a set of Board papers prior to each Board Meeting. Board papers are required to be circulated at least 5 market days prior to the date of each Board meeting to enable the Directors to obtain further explanation, if necessary, in order to be properly briefed before each meeting. Board members are supplied with full, timely and accurate information necessary to enable them to discharge their responsibilities.</p> <p>The deliberations and decisions at Board meeting are well documented in minutes. The status of actions taken with reference to the previous minutes of meetings is updated in the matters arising for the Board's notation.</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 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 has adopted a Board Charter which provides guidance for Directors and Management regarding the responsibilities of the Board, Board Committee and the Management. The Board Charter is reviewed regularly to ensure it complies with legislation and best practices, and remains relevant and effective in light of the Board's objective.</p> <p>The Board Charter is available on the Company's website at <a href="http://www.johanholdings.com">www.johanholdings.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 Board has adopted a Code of Ethics for Company Directors. This Code of Ethics serves as a standard for the ethical behaviour of Directors based on trustworthiness and accepted values. The Code also upholds the spirit of responsibility and civic-mindedness that are in line with the latest legislations, regulations and guidelines for administrating a company.</p> <p>The Board has also adopted a Code of Conduct and Ethics that provides guidance to the Directors, Management and employees of the Group on acceptable practices and behaviour to assist them in their compliance with the applicable laws and regulations and to act with high standards of business integrity.</p> <p>The areas covered by the Code of Conduct and Ethics are Compliance with Laws, Conflicts of Interest, Related Party Transactions, Confidential Information, Insider Trading, Bribery and Corruption, Business Courtesies, Money Laundering, Work Environment, Harassment in the Workplace, Equal Opportunity and Company Assets.</p> <p>Both the Code of Ethics and the Code of Conduct and Ethics are available on the Company's website at <a href="http://www.johanholdings.com">www.johanholdings.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>	:		
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**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 Board has formalised a Whistleblower Policy which enables employees and stakeholders to report genuine concerns about unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements. Any concern should be raised with immediate superior or reported to the Group Chairman & Chief Executive Officer. The findings on investigation performed on complaints received together with the proposed course of action will be reviewed by the Audit Committee for a decision.	
<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 Board currently comprises two (2) Independent Non-Executive Directors out of the five (5) members.	
		Nevertheless, the Board comprises a majority of Non-Executive Directors who are not involve in the operations of the Company. All the Non-Executive Directors have a varied background and experience to provide diverse perspective and insights to the Board deliberation.  The Board is satisfied with the current Board composition and is of the view that the composition fairly reflects the interest of the minority shareholders of the Company.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Dato' Ahmad Khairummuzammil Bin Mohd Yusoff was appointed as Independent Non-Executive Director on 4 July 2005 and has served the Board for more than twelve (12) years. Annual shareholders' approval was obtained for Dato' Ahmad Khairummuzammil Bin Mohd Yusoff to continue to act as an Independent Non-Executive Director of the Company since 2014.</p> <p>Mr Ooi Teng Chew was appointed Independent Non-Executive Director on 12 March 2009 and has served the Board for more than nine (9) years. Annual shareholders' approval was obtained for Mr Ooi Teng Chew to continue to act as an Independent Non-Executive Director of the Company since 2018.</p> <p>The Board has, via the Nominating Committee, conducted an annual performance evaluation and assessment on the Independent Directors and is of the opinion that Dato' Ahmad Khairummuzammil Bin Mohd Yusoff and Mr Ooi Teng Chew remain objective and independent in expressing their views. The Board will be seeking shareholders' approval in the forthcoming Annual General Meeting for Dato' Ahmad Khairummuzammil Bin Mohd Yusoff and Mr Ooi Teng Chew to continue as Independent Directors of the Company. The justifications for their continuation as Independent Directors are disclosed in the Notice of the Annual General Meeting.</p> <p>Given that shareholders' voting rights are enshrined under the Company's Constitution, which states that every shareholder has one vote for every share he holds and resolutions are to be decided by a simple majority for ordinary resolutions and 75% of votes for special resolution, which is also in line with the Companies Act, 2016, the Board is therefore not recommending the two-tier voting process</p>

	for the resolution to retain Dato' Ahmad Khairummuzammil Bin Mohd Yusoff as Independent Director of the Company at the forthcoming Annual General Meeting.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	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 is committed to ensure that the Directors of the Company possess a broad balance of skills, knowledge, experience, background, independence and diversity. The Nominating Committee is responsible to recommend to the Board for the appointment of new Directors and it endeavour to ensure that gender, ethnicity and age diversity will be taken into account in nominating quality candidates to be appointed to the Board.</p> <p>Selection of senior management also based on objective criteria and merit, with due regard to diversity in skills, experience, age, cultural background and gender.</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 does not specify a target for boardroom diversity. The criteria to be used by the Nominating Committee in the Board selection and appointment process is mainly to ensure the Board comprises a good mix of skill and experience of Directors to discharge its responsibilities in an effective and competent manner, as well as the candidates' competencies and ability to commit sufficient time to the Company's matters, which should be based on objective criteria, merit and with due regard for diversity.	
		The Board is supportive of gender diversity in the boardroom as recommended by the MCCG 2017 to promote the representation of women in the composition of the Board.  The Board has established a Gender Diversity Policy to set out strategies and measure to promote gender diversity in the Board appointment process.  Presently, the Board comprises one female Director, which represents 20% of the Board composition.	
<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>	:	<p>The Nominating Committee is responsible for identifying and recommending suitable candidates to be appointed to the Board. There were no new appointments made for the financial year ended 31 January 2020.</p> <p>Moving forward, the Nominating Committee will rely on varied sources to identify candidates to be appointed to the Board, including utilising independent sources.</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>	:	The Chairman of the Nominating Committee, Dato' Ahmad Khairummuzammil Bin Mohd Yusoff, is the Senior Independent Director identified by the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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>	:	For the financial year ended 31 January 2020 an annual evaluation was undertaken to assess the effectiveness of the Board, each Board Committee and each individual Director. The process was internally facilitated and conducted through evaluation forms circulated to the Board. The duly completed evaluation forms were collated and the results were tabled to the Nominating Committee. Based on the results, the Nominating Committee satisfied that the Board and Board Committees are effective as a whole, considering the required mix of skills, size and composition, experience, core competencies and other qualities. The Nominating Committee was also satisfied that each of its Directors has the character, experience, integrity, competence and time to effectively discharge their respective role. The results and the findings from the Nominating Committee were reported to the Board.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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 Company has adopted a Remuneration Policy to attract, motivate, retain and reward Directors and senior management of Johan Group through a competitive remuneration package, and to ensure the remuneration is commensurate with the relevant experience, expertise, reflects the level of responsibilities undertaken, and contribution made by the Directors and senior management.</p> <p>The remuneration components of Executive Directors and Senior Management consist of basic salary, performance based bonus, benefits-in-kind and other incentives (where applicable). The remuneration package of Executive Directors and senior management is structured so as to link reward to individual and corporate performance. The remuneration packages of the Executive Directors and Senior Management are reviewed by the Remuneration Committee annually. The Executive Directors shall not participate in the decision of their own remuneration</p> <p>Non-Executive Directors receive remuneration in the form of Directors' fees and meeting allowances. Additional meeting allowance is payable to the Chairman of the Audit Committee to reflect the complexity and amount of preparation required in attending the meeting. The level of remuneration for Non-Executive Directors shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. The remuneration of the Non-Executive Directors shall not be based on commission or percentage of profits or turnover. The remuneration packages of the Non-Executive Directors are reviewed by the Remuneration Committee annually. The determination of fees and benefits payable to Non-Executive Directors will be a matter for the Board as a whole, and a Director shall not participate in the decision on their own remuneration packages. The Board will then recommend the payment of the Directors' fees and other benefits payable to Non-Executive Directors to the Shareholders for approval at each Annual General Meeting of the Company in accordance with Section 230(1) of the Companies Act, 2016.</p>

	The Remuneration Policy is available on the Company's website at <a href="http://www.johanholdings.com">www.johanholdings.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>	:	The Remuneration Committee is authorised by the Board to oversee and review the level and composition of Directors' and Senior Management's remuneration  The Terms of Reference of the Remuneration Committee is available on the Company's website at <a href="http://www.johanholdings.com">www.johanholdings.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 on application of the practice</b>	:	Each Director's detailed remuneration is disclosed in the Company's 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>	:	The Board is of the opinion that the disclosure on the remuneration of the Key Senior Management on a named basis is not to the Company's advantage or best interest considering the highly competitive market for talents in our industry.	
		The Remuneration Committee reviewed the remuneration packages of the Executive Directors and Senior Management annually to ensure the remuneration is commensurate with the relevant experience, expertise, reflects the level of responsibilities undertaken, and contributions made by the Executive Director and Senior Management, and taking into consideration of the Company's performance.	
<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 Dato' Ahmad Khairummuzammil Bin Mohd Yusoff, who is an Independent Non-Executive Director, and not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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 Audit Committee comprises 3 members, all of whom are Non-Executive Directors and with a majority of Independent Directors.</p> <p>The Terms of Reference of the Audit Committee reflects the requirement of a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as an Audit Committee member of the Company. This is to safeguard the independence of the audit by avoiding potential threats that may arise when a former key audit partner is in a position to exert influence over the audit and preparation of the Company's financial statements.</p> <p>None of the members of the Audit Committee were former key audit partner of the Company's external auditors within the cooling-off period of 2 years.</p> <p>The Terms of Reference of the Audit Committee are available on the Company's website at <a href="http://www.johanholdings.com">www.johanholdings.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

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee conducts annual assessment on the performance, suitability, objectivity and independence of the external auditors based on the following key areas:-</p> <ul style="list-style-type: none"><li>(i) Competency and quality of service</li><li>(ii) sufficiency of resources</li><li>(iii) communication and interaction</li><li>(iv) independence, objectivity and professional scepticism</li></ul> <p>The Audit Committee had assessed the External Auditor's engagement teams' calibre, performance, experience, global network resources as well as ability to perform the scope of work within the Company's predetermined timeline. The Audit Committee took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at private meetings, which demonstrated their independence, objectivity and professionalism.</p> <p>The Audit Committee was satisfied with the suitability of Deloitte PLT based on the quality of services and sufficiency of resources they provided to the Group, in terms of the firm and the professional staff assigned to the audit. The Audit Committee was also satisfied in its review that the provision of non-audit services by Deloitte PLT to the Company for the financial year ended 31 January 2020 did not in any way impair their objectivity and independence as External Auditors 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>	:		
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**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 members of the Audit Committee have the necessary skills to discharge its duties and are financially literate. The profiles of the members are provided in 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**

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>	:	The Board has established the risk management and internal control framework and policies to identify, evaluate and manage the principal risk of the corporation's business.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has a well-defined and effective risk management framework in alignment with ISO 31000:2009. To ensure the adequacy and effectiveness of the system of risk management and internal controls, the framework and policies will be regularly reviewed by the Board in response to changes in the regulatory and business environment.</p> <p>The Board, via the Audit Committee, reviews the Group's risk profile and ensure that the principal risks identified, evaluated and reported by Management are managed within the Group's risk appetite and risk tolerance. The risk scorecard &amp; risk register will be tabled at the Audit Committee meeting half-yearly to ensure key risks and control strategies are deliberated and implemented. The Board is assisted by Management to ensure that internal controls and risk management practices are implemented for managing the principal business risks of the Group.</p> <p>During the financial year under review, internal control and risk-related matters which warranted the attention of the Board, were highlighted via the Audit Committee meeting to the Board.</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 Board had established a Risk Management Committee which comprised of two (2) Board members and a key senior management.

### 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>	:	The Group has an independent internal audit function, reporting directly to the Audit Committee. Internal audit findings of operating units of the Group and investigations carried out by internal audit department are table at the Audit Committee Meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	A statement on the Internal Audit function with the required disclosure is available under the Audit Committee Report in the Company's 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**

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>	:	The Board has established Corporate Disclosure Policies and Procedures in relation to provision of accurate, timely, consistent and fair disclosure of corporate information to enable informed and orderly market decision by investors.	
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a large Company as defined by the Malaysian Code on Corporate Governance 2017.	
<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 notice for the forthcoming Annual General Meeting is given to shareholders on 30 June 2020, more than 28 days before the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors attended the Company's Annual General Meeting held on 10 July 2019 and the Company's Extraordinary General Meeting held on 13 May 2020, in relation to the disposal by Prestige Ceramics Sdn Bhd, a wholly-owned subsidiary of the Company, of a piece of vacant freehold land.	
<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>	:	The general meetings of the Company are usually held at the same place at George Kent Technology Centre, 1115, Jalan Puchong, Taman Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan, to ensure that shareholders are familiar with the location.
	:	The Notice of Annual General Meeting and Proxy Form have been disseminated to all the shareholders with a notice period of more than 28 days thus providing sufficient time for shareholders to make the necessary arrangements to attend the Annual General Meeting.  Shareholders who are unable to attend the Annual General Meeting are allowed to appoint proxy/proxies to vote on their behalf in their absence.
<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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