

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0091
COMPANY NAME : DAYA MATERIALS BERHAD
FINANCIAL YEAR : 31 December 2018

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.

Application	: Applied
Explanation on application of the practice	<p>The Board is charged with leading and managing the Group in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Group. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Group are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.</p> <p>The Board understands that the responsibility for good Corporate Governance rests with them and therefore strives to follow the principles and best practices stated in the MCCG. The Board includes a narrative statement in its Company's Annual Report on the extent of compliance with the principles and best practice in Corporate Governance pursuant to guideline of the Listing Requirements.</p> <p>The Company complies with the various guidelines issued by Bursa Securities and the SC relating to disclosure and internal audit functions.</p> <p>The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities. Members of the Management who are not Directors may be invited to attend and speak at meetings on matters relating to their scope of responsibility.</p> <p>Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Group, setting the aims of the Management and monitoring the performance of the Management.</p> <p>The Board assumes the following specific duties:</p> <p>a) Review and adopt a strategic plan for the Group; b) Oversee the conduct of the Group's business to evaluate whether the business is</p>

being properly managed; c) Identify principal risks and ensure the implementation of appropriate systems to manage these risks; d) Implement succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management; e) Develop and implement an investor relations program or shareholders communications policy for the Group; and f) Review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has established written procedures determining which issues require a decision of the full Board and which issues can be delegated to the Board Committees or the Management team headed by the Executive Vice Chairman and the Group Chief Executive Officer ("Group CEO"), which represents the Management.

The Board reserves full decision-making powers on the following matters:

a) Conflict of interest issues relating to a substantial shareholder or a Director; b) Material acquisitions and disposition of assets not in the ordinary course of business; c) Investments in capital projects; d) Authority levels; e) Treasury policies; f) Risk management policies; and g) Key human resource issues.

The Board has delegated certain responsibilities to the Board Committees, such as the Audit Committee, Nomination Committee and Remuneration Committee, which operate within clearly defined terms of reference. These Board Committees have the authority to examine specific issues and forward their recommendations to the Board.

To ensure the effective discharge of its function and responsibilities, the Board also delegates some of the Board's authorities to the Management team headed by the Executive Vice Chairman and the Group CEO. The Management team is entrusted with the responsibility of carrying out tasks which are assigned by the Board. The Management team acts on behalf of the Board on matters concerning administrations, operations, capital expenditure, debt approvals and investments. It meets at regular intervals to review and decide on administrative and operational matters, budgets and investment strategies of the Group.

The Board recognises the importance to set out the key values, principles and ethos of the Group, as policies and strategy development are based on these considerations. The Board Charter includes the division of responsibilities and powers between the Board and the Management as well as the different committees established by the Board.

The Board Charter sets out the principal role of the Board, the demarcation of the roles, functions, responsibilities and power of the Board, various Board Committees and the Management team of the Company.

	<p>The Board Charter further defines the specific responsibilities of the Board, in order to enhance coordination and communication between the senior management and Board and more specifically, to clarify the accountability of both the Board and management for the benefit of the Company and its shareholders. In addition, it will assist the Board in the assessment of its own performance and of its individual Directors</p> <p>The Board Charter is available for reference on the Company's website at www.dayagroup.com.my</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	: Applied
Explanation on application of the practice	<p>The role and responsibility is clearly stated in the Board Charter which is available at the Company website; set out as follows:-</p> <p>The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of the Board's role. The Chairman is responsible for: a) Leading the Board in setting the values and standards of the Company and the Group; b) Maintaining a relationship of trust with and between the Executive and Non-Executive Directors; c) Ensuring the provision of accurate, timely and clear information to Directors; d) Ensuring effective communication with shareholders and relevant stakeholders; e) Arranging regular evaluation of the performance of the Board and its Committee and Individual Directors; f) Facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors.</p> <p>The Chairman, in consultation with the Group CEO and the Company Secretary, sets the agenda for Board meetings and ensures that all relevant issues are on the agenda.</p> <p>The Chairman is responsible for managing the business of the Board to ensure that: a) All Directors are properly briefed on issues arising at Board meetings; b) Sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for Board discussion; and c) The issues discussed are forward looking and concentrate on strategy.</p> <p>The Chairman ensures that every Board resolution is put to vote to ensure the will of the majority prevails.</p> <p>The Chairman ensures that Executive Director look beyond his executive functions and accept his full share of responsibilities on governance.</p> <p>The Chairman will have no casting vote if two (2) Directors form quorum, or if there are only two (2) Directors competent to vote on the question at issue.</p>

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

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Company, Encik Fazrin Azwar bin Md. Nor, is a Senior Independent Non-Executive Director who is primarily responsible for the orderly conduct and working of the Board, whilst the Group CEO, Datuk Lim Thean Shiang is responsible for the running of the business and operations and implementation of the Board's policies and decisions.	
Explanation for departure	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by two (2) Company Secretaries who are qualified to act under Section 235(2) of the Companies Act, 2016 ("the Act") :</p> <ol style="list-style-type: none">1. Chen Bee Ling (MAICSA 7046517)2. Foo Ing Ing (LS0010047) <p>The Board is satisfied with the performances and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries supports the Board in managing the Company's governance model, ensuring its effectiveness and relevance. The Company Secretaries also ensures that the deliberations and decisions made at the Board meetings are well captured and minuted.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application :	Applied
Explanation on application of the practice :	<p>The Board has access to timely and accurate information necessary in the furtherance of their duties. All Directors are furnished with the meeting agenda and other documents on matters requiring their consideration prior to and in advance of each Board meeting. This is to facilitate meaningful and productive deliberation and discussion during the Board meeting. The documents are comprehensive and include qualitative and quantitative information to enable the Board members to make an informed decision. Senior management may be invited to attend these meetings to explain and clarify to the Board on matters being tabled.</p> <p>The Chairman, with the assistance of the Management, undertakes primary responsibility for organising information necessary for the Board to deal with the agenda and in ensuring all Directors have full and timely access to the information relevant to the matters that will be deliberated at the Board meeting. Certain reports, such as those relating to the Company's financial results for statutory announcements, are submitted to the Audit Committee for their review and recommendation to the Board for approval thereafter.</p> <p>All proceedings, deliberations and conclusions from the Board meetings are clearly recorded by way of minutes. The minutes are then confirmed by the Board and signed as correct records of the proceedings thereat by the Chairman of the meeting.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	

Timeframe	:		
------------------	---	--	--

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board Charter sets out the principal role of the Board, the demarcation of the roles, functions, responsibilities and power of the Board, various Board Committees and the Management team of the Company.</p> <p>The Board Charter further defines the specific responsibilities of the Board, Board Committees, Group CEO and Management in order to enhance coordination and communication between the senior Management and Board and more specifically, to clarify the accountability of both the Board and Management for the benefit of the Company and its shareholders. In addition, it will assist the Board in the assessment of its own performance and of its individual Directors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group is committed in maintaining the highest standards of honesty, integrity and ethical conduct and has established a Code of Conduct and Business Ethics ("the Code of Conducts and Ethics") and includes rules and guidance on anti-fraud and whistle blower protection to ensure effective investigation, reporting and disclosure of any occurrences of fraud within the Group.</p> <p>The Code of Conducts and Ethics is published on the Company's website.</p> <p>The Code of Conducts and Ethics provides general compliance requirements as to employees' conduct and behaviour in carrying out their duties and responsibilities in day-to-day business operations. The Code of Conducts and Ethics outlines minimum standards expected of employees in dealing with conflicts of interest, supplier relationships, competitors, external businesses or activities, transactions with the Group, use of the Group's real and intellectual, use and disclosure of the Group's confidential information, compliance of national and international laws and regulations, compliance of all relevant health & safety requirements, maintenance of business records and illegal or questionable payments.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
------------------	---	--	--

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board established Whistle-Blowing Policy in November 2015 to provide a platform and to act as a mechanism for parties to channel their complaints or to provide information on fraud, wrongdoings or non-compliance to any rules or procedures by the employees or Management of the Company. The policy outlines the scope and procedures a concern may be properly raised, distinguishes a concern from a personal grievance and allows the whistle-blower the opportunity to raise a concern outside their management line and in confidence. The identity of the whistle-blower is kept confidential and protection is accorded to the whistle-blower against any form of reprisal or retribution. Any concerns raised will be investigated and a report and update are provided to the Board of Directors, through the Audit Committee.</p> <p>The Whistle-Blowing Policy is available for reference on the Company's website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied.
Explanation on application of the practice	:	<p>After the resignation of one (1) Independent Non-Executive director on 29 October 2018, The Board consists of six (6) principal directors as at 31 December 2018. Out of the six (6) principal directors, one (1) is Executive Director and five (5) are Independent Non-Executive Directors. With this Board composition, the Company has thus complied with paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) which requires that at least two (2) Directors or one-third (1/3) of the Board of Directors, whichever is the higher, to be Independent Directors. The size and composition of the Board remain adequate to provide for a diversity of views, facilitate effective decision making, and appropriate balance of Executive, Independent and Non-Independent Directors.</p> <p>The Directors come from diverse backgrounds with skills and expertise in different area, such as accounting, banking, finance, engineering, business and legal. Their diverse skills and background collectively bring depth and diversity in experience to the Group’s operations. The Independent Non-Executive Directors are independent from the day to day management and have no family or business relationships with the Group that could interfere with the exercise of their independent judgment. They bring to bear objective and independent judgment to the decision making of the Board and provide an effective check and balance for the Executive Director.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Partially applied
Explanation on application of the practice	:	<ol style="list-style-type: none">1) The Board recognises that the tenure is not the absolute indicator of a Director's independence and objectivity where in the spirit, intention, purpose and attitude, background and current activities should be considered.2) Encik Fazrin Azwar Bin Md Nor and Tan Sri Dato' Sri Koh Kin Lip Jp have served as the Independent Non-Executive Directors of the Company for more than nine (9) years. Thus, shareholders' approval was sought to retain them as Independent Directors of the Company at the Fifteen Annual General Meeting ("15th AGM") held on 11 June 2018. The Nomination Committee and the Board performed an assessment on the independence of the Independent Directors.3) Upon the Nomination Committee's recommendation, the Board recommended for shareholders' approval at the 15th AGM to retain Encik Fazrin Azwar Bin Md Nor and Tan Sri Koh Kin Lip Jp as Independent Non-Executive Directors of the Company based on the following justifications:-<ol style="list-style-type: none">a) They fulfil the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Securities and therefore would be able to function as a check and balance and bring an element of objectivity to the Board of Directors;b) They have devoted sufficient time and attention to his professional obligations for informed and balanced decision making;c) They had vast experience in a diverse range of businesses and therefore would be able to provide constructive opinion;d) They exercise independent judgement and has the ability to act in the best interest of the Company;e) They had continued to exercise his independence and due care during his tenure as an independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and

	f) They have actively participated in the Board's deliberations, provided objectively and independent opinion to the Board.	
Explanation for departure	:	Annual Shareholders' approval was sought for retention of an Independent Director beyond 12 years through normal voting process, and not through two-tier voting process.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises its responsibility to carefully appraise and consider the appointment of new and existing Directors so as to continue functioning effectively. Thus, whilst the initial appraisal of new candidates is delegated to the Nomination Committee, the Board will assess and review the appointment or re-appointment of each Director to ensure a good balance of skills and experience in the Board composition. The decision on appointment of new Directors rests with the Board after considering the recommendations of the Nomination Committee.</p> <p>During the nomination and selection process, the Nomination Committee first considered and recommended to the Board, nominee for directorship upon accessing the fitness and propriety of the nominee. Upon the approval of the Board, the Company Secretary will ensure that the appointment is made properly, and all necessary information is obtained, as well as legal and regulatory obligations are made.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>No gender diversity policies, targets and measures have been set by the Company. It is the intention of the Board to provide equal opportunity to suitable candidates who have the necessary competency and experience to bring value to the Board and to the Management of the Group.</p> <p>The Board is of the view that the selection criteria of a Director, notwithstanding gender, should be primarily based on the effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board, should remain a priority, so as not to compromise on qualification, experience and capabilities.</p> <p>The Board, through the Nomination Committee will take the necessary steps to ensure that women candidates are sought as part of its recruitment exercise to encapsulate gender diversity.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee is responsible for identifying, assessing and recommending to the Board, suitable nominees for appointment to the Board and Board Committees.</p> <p>The Nomination Committee is of the view that the current size and composition of the Board remain adequate to provide for a diversity of views, facilitate effective decision making, and appropriate balance of Executive, Independent and Non-Independent Directors</p> <p>Candidates are Normally sourced through recommendations by existing Board members, Management or major shareholders.</p> <p>The Nomination Committee is also open to referral by a third-party search firm or whatever sources it deems appropriate in identifying and sourcing for suitably qualified candidates when the vacancies arise.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee comprises of four (4) members, all of whom are Independent Non-Executive Directors:-</p> <ol style="list-style-type: none">1. Tan Sri Dato' Sri Koh Kin Lip JP2. En Fazrin Azwar Bin Md Nor3. En Aminuddin Bin Mohd Arif4. Tuan Haji Norzain Bin Abdul Wahab <p>The Chairman of the Nomination Committee is Tan Sri Dato' Sri Koh Kin Lip, an Independent Non-Executive Director.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee carries out an annual assessment on the Board and its individual directors.</p> <p>The performance indicators on which Board effectiveness is evaluated include Board composition and structure, operations and interactions, Board roles and responsibilities as well as Board activities. The Nomination Committee met to discuss and assess the Board effectiveness and collectively completed its evaluation of the Board.</p> <p>To assess the performance of individual Directors, each Board member is given a self-assessment form which include the performance indicators such as their meeting attendance, their interactive contributions, understanding of their role and responsibilities and their quality of input. The completed forms were then tabled to the Board for review and notation.</p> <p>For the financial year ended 31 December 2018, the Board had, through the Nomination Committee, reviewed the mix of skills and experience of the individual Directors, assessed the effectiveness of the Board Committees and the Board as a whole. The Nomination Committee has also reviewed the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.</p> <p>The Nomination Committee also assessed the independence of Independent Directors who have served the Company for a cumulative term of more than nine (9) years and made appropriate recommendation to the Board. The Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	The Remuneration Committee has oversight on the remuneration of Directors and senior management. The remuneration of Directors and senior management is determined at levels, which will enable the Company to attract and retain Directors and senior management with the relevant experience and expertise to run the Group successfully. The remuneration is structured to link rewards to corporate and individual performance. The remuneration of Non-Executive Directors comprises annual Directors' fee and meeting allowance for each Board meeting or Board Committee meeting attended by them. The remuneration of the Directors are tabled for the shareholders' approval at the Company's Annual General Meeting.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	1) The Board has set up a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the Board members and Senior Management. 2) A copy of the Remuneration Committee's Terms of Reference is available on the Company's website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure on a named basis for the remuneration of the Directors is set out on pages 32 to 33 of in the Company's Annual Report 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board acknowledges the recommendation of the Code for transparency in the disclosure of its key Senior Management remuneration. However, no disclosure of remuneration details of the top 5 Senior Management on a named basis in bands of RM50,000 in the Company's Annual Report 2018. The Board is of the view that the disclosure of remuneration details of the top 5 Senior Management by name basis may be detrimental to the Company's business interest, given the competitive landscape for key personnel with the requisite knowledge, technical expertise and working experience in the Company's business activities, where intense headhunting is a common industry challenge. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Chairman of the Audit Committee is En Fazrin Azwar Bin Md Nor, who is also the Chairman of the Board.</p> <p>The Board has plan to appoint an Independent Non-Executive Director with appropriate capabilities and background as the Chairman of the Audit Committee to relinquish En Fazrin's responsibilities on the same at the appropriate suitable time. Hence, the Board had on 6 February 2018 appointed Mr. Ng Hong @Wong Chien Foong, who is a professional accountant by training, as a member of the Audit Committee.</p> <p>Notwithstanding En Fazrin Azwar Bin Md Nor's roles as Chairman in both the Audit Committee and the Board, the Nomination Committee and the Board members had assessed that he is capable of exercising independent professional judgement and ability to act in the best interest of the Company</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee is fully aware of this practice. However, the Board has no intention to appoint a former key audit partner of the external audit firm as a member of the Audit Committee and the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The role of the Audit Committee in relation to the External Auditors is found on pages 42 to 43 of the Company's Annual Report 2018 under "Audit Committee Report". The Company has established a transparent working relationship with the External Auditors in seeking professional advice and ensuring compliance with the applicable accounting standards.</p> <p>The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. Upon satisfactory assessment of their performance, the Audit Committee will recommend their re-appointment to the Board, upon which shareholders' approval will be sought at the Annual General Meeting of the Company.</p> <p>It is a policy of the Audit Committee that it meets with the external auditors at least twice (2) a year to discuss their audit plan, audit findings and the Company's financial statements as well as any other issues without the presence of the Executive Director and Management.</p> <p>The external auditors have confirmed that they are and have been independent throughout the conduct of the audit engagement for the financial year under review in accordance with the provisions of the By-Laws on Professional Independence.</p> <p>A summary of the audit and non-audit fees to the External Auditors, Deloitte PLT for the financial year ended 31 December 2018 is disclosed under "Additional Compliance Information" on page 178 of the Company's Annual Report 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	Following the resignation of Datuk Lim Soon Foo as a member of the Audit Committee on 29 October 2018, the Audit Committee comprises of four (4) members, all of whom are Independent Non-Executive Directors:- <ol style="list-style-type: none">1. En Fazrin Azwar Bin Md Nor2. Tan Sri Dato' Sri Koh Kin Lip3. Mr. Ng Hong@ Wong Chien Foong4. En Aminuddin Bin Mohd Arif

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>Members of the Audit Committee come from a diverse background and collectively, possess a wide range of necessary skills to discharge their duties to be able to understand matters under the purview of the Audit Committee, including the financial reporting process.</p> <p>During the financial year, members of the Audit Committee were guided on the significant accounting issues highlighted in the Audit Planning Memorandum and briefed and the External Auditors, Deloitte PLT on financial reporting and other updates.</p> <p>The quarterly unaudited financial results are briefed by the Group Chief Financial Officer to the members of the Audit Committee and discussed and deliberated amongst the members before recommended to the Board for approval.</p> <p>Training courses and seminars attended by the Directors of the Company during the financial year ended 31 December 2018 are set out on pages 30 to 31 of the Company Annual Report 2018.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board established a sound framework to manage risk management and internal control in the Group and to review the adequacy and integrity of the system to safeguard the shareholders' investments and the Group's assets.</p> <p>The Board reviews the risk elements regularly and is assisted by a robust and independent Group Internal Audit team.</p> <p>Throughout the financial year, the Board has actively reviewed the risk management framework and internal control to determine that there is an ongoing process for identifying, evaluating, monitoring and managing the significant risks faced by the Group to ensure the system addresses and manages the Group's key areas of risk within an acceptable risk profile to increase the likelihood of the Group's policies being complied with and business objectives being achieved.</p> <p>As with the inherent limitations in any system of internal control, the Group's system is designed to manage rather than eliminate the risk of failure to achieve its business objectives.</p> <p>The system of internal control is designed to provide reasonable but not absolute assurance against material misstatement or loss.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application :	Applied	
Explanation on application of the practice :	The features of the Group's risk management and internal control framework and the adequacy and effectiveness of the framework are disclosed in the Statement of Risk Management and Internal Control on pages 36 to 39 of the Company's Annual Report 2018.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	Internal Audit Function The Board has established an internal audit function which is carried out in-house via the Group Internal Audit Department (the "GIAD"). The GIAD reports functionally to the Audit Committee and administratively to the Senior Management. The main roles and responsibilities of the GIAD is to provide an independent objective assurance and consulting services designed to add value and improve the business and work activities of the Group by bringing about a systematic and disciplined approach to evaluate and improve the effectiveness of the risk management, governance and internal control processes. Further elaboration of the internal audit function of the Group can be found in the Statement on Risk Management and Internal Control (on page 39 of the Company's Annual Report 2018) and the Audit Committee Report (on page 43 of the Company's Annual Report 2018).
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>There are three (3) Internal Audit Personnel in the Group Internal Audit Department (“GIAD”):-</p> <ul style="list-style-type: none"> - En Norhisham Nordin (Group Chief Internal Auditor) (“Group CIA”) - En Mohd Izwann Hashim (Senior Internal Audit Executive) - En Amir Muhsin Malik (Internal Audit Executive) <p>All three (3) Internal Audit Personnel in the GIAD do not have family relationships with any Directors or major shareholders of the Company and the Group. They also do not have conflict of interest which could impair their objectivity and independence.</p> <p>En Norhisham graduated from Polytechnic of Port Dickson with Diploma in Accountancy. He has more than 12 years of working experience before appointment as Group CIA in April 2016. He is a member of the Malaysia Internal Auditors Insitute.</p> <p>En Norhisham is currently pursuing a professional certification as a Certified Internal Auditor issued by The Institute of Internal Auditors Inc.</p> <p>The internal audit function is carried out in accordance with a recognised framework that aligned to the International Professional Practices Framework (IPPF) issued by The Institute of Internal Auditors Inc.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
------------------	---	--	--

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decisions.</p> <p>The Board considers it essential for investors to be kept informed of all latest financial results and developments of the Company and the Group and where appropriate, will provide disclosure that is in the best interest of the Company and also of the shareholders. All such reporting information can be obtained from the websites of the Company and Bursa Securities. The Company also disseminates information through press releases on corporate events and business as well as any significant developments of the Group.</p> <p>The Board has identified Encik Fazrin Azwar Bin Md. Nor as the Senior Independent Non-Executive Director, to whom any queries, feedbacks and concerns with regard to the Group, may be conveyed.</p> <p>All shareholders are encouraged to attend the Company's general meetings and to participate in the proceedings. At the Annual General Meeting and Extraordinary General Meeting, the Chairman gives shareholders ample opportunity to participate through questions on the prospects, performance of the Group and other matters of concern addressed to the Board. Shareholders' suggestions received during the general meetings are reviewed and considered for implementation, wherever possible.</p> <p>Notice of the general meetings and the Company's annual report are sent out to the shareholders within the period prescribed by the Company's Constitution. The notice of the meetings will also be advertised in the newspaper.</p> <p>Representatives from the Minority Shareholder Watch Group ("MSWG") will also be invited as observers at the Company's general meetings if prior requests have been made. Queries raised by the MSWG and the Company's corresponding reply will be presented to the shareholders</p>

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

Intended Outcome

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

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

Practice 11.2

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

Application	:	Not Adopted	
Explanation on application of the practice	:		
Explanation for departure	:	Daya Materials Berhad is not under the " Large Companies" category.	
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	Notice of the 16 th AGM and the Company's Annual Report 2018 are sent out to the shareholders more than 28 days prior to the AGM.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Board members attended the 15 th AGM held on 11 June 2018. The Chair of the Board Committees and Senior Management were also present at the AGM to respond to shareholders' questions addressed to them during the meetings.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Not Adopted
Explanation on application of the practice	:	
Explanation for departure	:	All general meetings of the Company are held in Kuala Lumpur or Selangor, where the shareholders could have ease of access. As at the date of this report, the Company does not have large number of shareholders or have meetings in remote locations.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
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.

Click here to enter text.