

Appendix 1

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0091
COMPANY NAME : DAYA MATERIALS BERHAD
FINANCIAL ENDED : 30 JUNE 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 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. 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 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.</p> <p>The Board has established written procedures determining which issues require a decision of the full Board and which issues can be delegated</p>

	<p>to the Board Committee or the Management team headed by the Group Managing Director, which represents the Management.</p> <p>The Board reserves full decision-making powers on the following matters:</p> <p>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.</p> <p>The Board has delegated certain responsibilities to the Board Committees, such as the Audit Committee, Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019), 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.</p> <p>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 Group Managing Director. 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.</p> <p>The Board recognizes 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.</p> <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, 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>
<p>Explanation for departure</p>	
<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 Managing Director 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 Directors look beyond their executive functions and accept their full share of responsibilities on governance.</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	:		
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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 Group is Datuk Lim Thean Shiang, a Non-Independent Non-Executive Director. He was re-designated as Executive Chairman on 10 April 2019 and then to Non-Executive Chairman on 1 May 2020. The Group Managing Director is Encik Shamsul Bin Saad appointed on 10 April 2019.
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 Company Secretary is Chen Bee Ling (MAICSA 7046517).</p> <p>The Board is supported by a qualified Company Secretary who is an Associate members of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”).</p> <p>The Board is satisfied with the performances and support rendered by the Company Secretary to the Board in the discharge of its functions.</p> <p>The Company Secretary plays an advisory role to the Board on corporate governance related matters and ensure the Board adheres to the relevant rules and regulatory requirements as well as Board policies and procedures. The Company Secretary 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 unrestricted 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 meetings. 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 meetings. 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 from the Board meetings are 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 meetings. Where necessary, decisions of the Board are also made by way of circular resolutions in between scheduled meetings during the financial period.</p> <p>Where a transaction is required to be approved by the shareholders, interested Directors will abstain from deliberations and voting in respect of their shareholdings in the Company and they will further undertake to ensure that persons connected to them will similarly abstain from voting. The Board has direct access to the Senior Management and has unrestricted and immediate access to any information relating to the Company's business and affairs in the discharge of their duties. When required, they may request to be furnished with additional information and clarification. For complex and technical issues, the Board may seek independent professional advice at the Company's expense in discharging their duties. Individual Director may also obtain independent professional or other advice in fulfilling their duties and responsibilities, subject to the Chairman's or Board's approval, and depending on the quantum of the fees involved.</p>
Explanation for departure :	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board Charter 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 Managing Director 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 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>As at the date of this Report, the Board consists of six (6) Directors. Out of the six (6) Directors, one (1) is Executive Director, one (1) is Non-Independent Non-Executive Director and four (4) are Independent Non-Executive Directors.</p> <p>With this Board composition, the Company has thus complied with paragraph 15.02(1) of the MMLR of 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. If the number of the Directors of the Company is not three (3) or a multiple of three (3), then the number one-third (1/3) must be used. 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. In the event of any vacancy in the Board of Directors, resulting in non-compliance with the MMLR of Bursa Securities, the Company will fill the vacancy within three (3) months.</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 clear 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	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	The tenure of the independent directors does not exceed a cumulative term limit of nine years.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	<p>The Board has not developed a policy which limits the tenure of its Independent Directors to nine (9) years. However, the Board is mindful that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years and upon completion of nine (9) years, to re-designate the director as Non-Independent Director if he continues to serve on the Board pursuant to the Code. If the Board intends to retain an Independent Director beyond nine (9) years, the Company should justify and seek shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) year, the Board should seek shareholders' approval through a two-tier voting process and the manner to obtain the shareholders' approval on the resolution shall follow the recommendation of the Code.</p> <p>The Board further recognises that the tenure is not the absolute indicator of a Director's independence and objectivity wherein the spirit, intention, purpose and attitude, background and current activities should also be considered.</p>

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 recognizes 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 Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019), 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 Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019).</p> <p>During the nomination and selection process, the Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019) 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, that 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	:	Applied
Explanation on application of the practice	:	<p>Although currently, the Company do not have a written policy on Board diversity and gender diversity pertaining to the selection of its Board members and Senior Management team, the Board always taken into account diversity as one of the selection criteria. The Board, through the Nominating and Remuneration Committee will take the necessary steps to ensure that women candidates are sought as part of its recruitment exercise.</p> <p>Despite the importance of Boardroom diversity, 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, so as not to compromise on qualification, experience and capabilities.</p>
Explanation for departure	:	<p>Daya Materials Berhad is not under a "Large Companies" category.</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 Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019) will conduct annual review and make recommendation to the Board on the appointment of directors to the Board, if deemed necessary.</p> <p>The Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019) is currently of the view that 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 Committee is opened to referral 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 Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019) comprises the following directors:-</p> <ol style="list-style-type: none"> 1. En Aminuddin Bin Mohd Arif 2. Tuan Haji Norzain Bin Abdul Wahab 3. Datuk Zulkarnain Bin Md Eusope <p>The Chairman is En Aminuddin Bin Mohd Arif, 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 Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019) 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 Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019) 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 period ending 30 June 2020, the Board had, through the Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019), reviewed the mix of skills and experience of the individual Directors, assessed the effectiveness of the Board as a whole, including Independent Non-Executive Directors and the Board Committees.</p> <p>As at the date of this Report, none of the Independent Director who has served the Company for a cumulative term of more than nine (9) years. 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	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019) 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.</p> <p>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 approval at the Company's Annual General 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

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

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

Practice 6.2

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

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

Application :	Applied
Explanation on application of the practice :	<p>The Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019) has undertaken the following responsibilities in accordance to the Terms of Reference (TOR):-</p> <ul style="list-style-type: none">a) To review and recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary.b) Review and recommend to the board on the remuneration of Non-Executive Directors, particularly on whether the remuneration remains appropriate to each Director's contribution, by taking into account the level of expertise, commitment and responsibilities undertaken;c) Review and recommend to the Board on the total individual remuneration package for Executive Directors and senior management personnel including, where appropriate, bonuses, incentive payments within the terms of the agreed remuneration policy and based on individual performance;d) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions;e) To oversee the qualitative and quantitative disclosures of remuneration made in the annual report and notice to general meetings; andf) To provide clarification to shareholders during general meetings on matters pertaining to remuneration of directors and senior management as well as the overall remuneration framework of the company. <p>A copy of the TOR of the Nominating and Remuneration Committee (following the merger of the Nomination Committee and the Remuneration Committee effective 21 November 2019) is available on the Company's website.</p>
Explanation for departure :	

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

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	Detailed disclosure on named basis for the remuneration of the Directors is stated in the Company's Annual Report.	
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	:	Not adopted	
Explanation on application of the practice	:	<p>The Board acknowledges the recommendation of the Code for transparency in the disclosure of its key Senior Management remuneration.</p> <p>However the Board has disclosed, the band of remuneration of the top 5 Senior Management of the Company.</p> <p>The Group does not comply with the recommendation of the Code to disclose on named basis the top five Senior Management's remuneration in the bands of RM50,000 in order to preserve confidentiality and would be detrimental to the Group as this will facilitate opportunity for competitors to pinch the Group's Senior Management.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - 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	:	The Board acknowledges the recommendation of the Code for transparency in the disclosure of its key Senior Management remuneration. 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.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman of the Audit Committee is Mr Arunasalam A/L Muthusamy, an Independent Non-Executive Director. He is appointed to be the Chairman of the Audit Committee on 15 August 2019.</p> <p>The Chairman of the Board is Datuk Lim Thean Shiang, a Non-Independent Non-Executive Chairman. He was re-designated as Executive Chairman on 10 April 2019 and then Non-Executive Chairman on 1 May 2020.</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 8.2

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 does not include any of former key audit partner of the external audit firm.	
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 external auditors have continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements.</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 Directors 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>
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	:	Applied
Explanation on adoption of the practice	:	<p>The Audit Committee comprises Independent Non-Executive Directors as follows:-</p> <ol style="list-style-type: none">1. Mr Arunasalam A/L Muthusamy (Appointed w.e.f. 15 August 2019)2. En Aminuddin Bin Mohd Arif (Re-designated as member on 15 August 2019)3. Tuan Haji Norzain Bin Abdul Wahab (Appointed w.e.f. 22 February 2019)4. Datuk Zulkarnain Bin Md Eusope (Appointed w.e.f. 21 November 2019)

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>All the members of Audit Committee attended the Mandatory Accreditation Programme conducted by Bursa Malaysia. The members undertake to continuously upgrade their knowledge and exposure in the seminars, training courses conducted internally and by external organisations.</p> <p>Training courses and seminars attended by the Directors of the Company during the financial period ended 30 June 2020 are set out in the Company Annual Report.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Intended Outcome

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

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

Practice 9.2

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

Application :	Applied
Explanation on application of the practice :	<p>Risk Management Function</p> <p>The Group has established the Risk Management Policy and Guidelines based on the ISO 31000:2009 International Standard of Risk Management - Principles and Guidelines, to proactively identify, evaluate and manage key risks to an optimal level.</p> <p>In line with the Group's commitment to deliver sustainable value, this framework aims to provide an integrated and organized approach entity-wide.</p> <p>The Group had actively executed the Enterprise Risk Management initiative based on the approved ERM framework; which include the tracking and monitoring of the key mitigating strategies implementation for the key risk areas identified.</p> <p>The Group's risk management framework also provides for regular reviews and reporting. These reports include assessment of risks, evaluation of the effectiveness of the controls in place and the requirements for further controls.</p> <p>The key elements of these processes are:</p> <ol style="list-style-type: none">a. Reviewing and discussing of key risks at least on a quarterly basis by the Risk Coordinator with the Risk Management Unit of each subsidiariesb. Reporting of significant risks by the Risk Management Unit to the Group Internal Audit on quarterly basisc. Presentation of a summary of a significant risks to the Board via group Internal Audit on a quarterly basisd. Development of the action plans to improve the system of controls in order to effectively manage the risks. <p>Internal Audit Function</p> <p>The internal audit function has adopted a risk-based approach in its audit work. The audit focused on areas with high risk, which were identified in the risk management framework, to ensure that the controls were functioning and where necessary, action plans were developed to improve on controls to manage significant risks.</p> <p>The audit assignments were performed for the Group's corporate support functions, subsidiaries and business entities, of which the timing and frequency were based on the level of risks assessed and this was incorporated into the Annual Internal Audit Plan. The Internal Audit Plan was reviewed by the Audit Committee (AC) and approved by the Board.</p> <p>The Group Internal Audit department (GIAD) reviewed controls related to new emerging risks and attended to the Management's requests in addition to the approved Internal Audit Plan.</p>

	<p>The GIAD also followed-up and reported to the AC on a quarterly basis regarding the status of audit issue closure by the Management based on the recommendations highlighted in the internal audit reports. Further details of the activities of the GIAD are provided in the Audit Committee Report on page 41 to 45 of this Annual Report.</p>	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

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 :	Departure
Explanation on adoption of the practice :	<p>The Board has not established a Risk Management Committee. However, 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, through Audit Committee 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 and Audit Committee 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>

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Composition of Audit Committee</p> <p>The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, where all the members must be non- executive directors with a majority of whom shall be Independent Non-Executive Directors.</p> <p>Authority</p> <p>The Audit Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference or as otherwise directed by the Board. It shall have: a) The authority to investigate any matter within its terms of reference; b) The resources which are required to perform its duties; c) Full and unrestricted access to any information pertaining to the Group; d) Direct communication channels with the external auditors and the internal auditors; e) The right to obtain independent professional or other advice; f) The right to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.</p> <p>Internal Audit Function</p> <p>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 (the “AC”) and administratively to the Group Managing Director. 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.</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 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	<ul style="list-style-type: none"> • The Group Internal Audit Department reports functionally to the Audit Committee, free from any relationship or conflicts of interest, which could impair their objectivity and independence • The Group Internal Audit Department consists of :- <ul style="list-style-type: none"> - En Norhisham Nordin (Group Chief Internal Auditor) <p>En Norhisham is a Certified Fraud Examiner, a Member of The Association of Certified Fraud Examiners and an Associate Member of The Institute of Internal Auditors Malaysia.</p> <p>He holds the Diploma in Accountancy from Polytechnic of Port Dickson. He is currently pursuing the Master of Business Administration from Heriot-Watt University and in the midst of completing a professional certification as a Certified Internal Auditor.</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>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. The Company would conduct poll voting at the general meetings.</p> <p>Notice of the general meetings and the Group'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>
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	:		
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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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the opinion that the annual report presently contains financial and non-financial information which may be considered to provide a fairly comprehensive overview of the Group.	
		Daya Materials Berhad is not under a “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 general meetings and the Group's annual report are sent out to the shareholders at least more than 28 days before the AGM. The notice of the meetings will also be advertised in the newspaper.	
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	:	The whole Board of Directors attended the AGM. At the AGM, the Chair of the committees provided ample opportunity to address questions concerning the operations and performance of the Company.	
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The AGM has always been held in the major city area such as Kuala Lumpur or Selangor, where the shareholders could have ease of access.	
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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

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

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