

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Texchem Resources Bhd. (“Company”) is entirely committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles, practices and guidances set out in the Malaysian Code on Corporate Governance (“Code”) issued by the Securities Commission Malaysia on 26 April 2017 to enhance its accountability, transparency and sustainability. In addition, the Board follows global developments of internationally recognised corporate governance practices and though the Board is already in compliance with many respects, it continually reviews the corporate governance processes adopted by the Company and its subsidiaries (collectively “the Group”) and strives to make appropriate adjustments to reflect its position as a good corporate citizen. The key intent is to adopt the substance behind good governance and not merely the form, with the aim of ensuring Board effectiveness in enhancing shareholder value.

The Board presents this statement to provide shareholders with an overview of the corporate governance (“CG”) practices of the Company which were based on the principles and best practices as set out in the Code, the governance standards prescribed in the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the requirements under the Companies Act 2016 and applied under the leadership of the Board during the financial year ended 31 December 2018.

This overview statement is to be read together with the CG Report 2018 (“CG Report”) of the Company which is available on the Company’s website at www.texchemgroup.com. The detailed explanation on the application of the corporate governance practices are reported under the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

The Board acknowledges its pivotal role in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction and the Board oversees the establishment of goals for Management and monitors the achievement of these goals. Operational effectiveness, cost rationalisation and human capital management continue to be the key areas of focus for the Group.

The Board is led by the Executive Chairman and the Group Chief Executive Officer (“CEO”) whose roles are separated. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions whereas the Group CEO is responsible for the day to day management of the business as well as the implementation of Board policies and decisions.

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has set up various Board Committees to assist the Board. The Board Committees set up by the Board are:-

- (a) Executive Committee (“EXCO”)
- (b) Audit Committee (“AC”)
- (c) Nomination Committee (“NC”)
- (d) Remuneration Committee (“RC”)

The EXCO, AC, RC and NC play a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Board Committees partly function as a filter to ensure that only pertinent matters are tabled at the Board level. All Board Committees have written Terms of Reference which can be found at the Company’s website, www.texchemgroup.com and in this Annual Report. There is also a formal procedure sanctioned by the Board, whether as a full Board or in their individual capacity, for Directors to obtain independent professional advice at the Company’s expense.

The prime objective of the Company’s Board Charter is to set out the principles governing the Board of the Company and adopts the principles and practices of good corporate governance in the management of the Company. The Board is guided by the Board Charter which outlines, *inter alia*, the duties and responsibilities of the Board, Board Committees, Chairman, CEO, individual Directors and Management, matters reserved for the Board as well as those which the Board may delegate to the Board Committees, CEO and Management.

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The Board has also formalised a Code of Conduct and Ethics (“CoCE”) to govern the conduct of the Directors, Management and employees in the operation of the Company. The CoCE includes mechanism amongst others, a whistleblower policy for the Company’s Directors and employees as well as external parties to report genuine suspicions of non-compliance without fear of retribution or retaliation.

Further details pertaining to the Board Charter and CoCE are set out in the CG Report. The Board Charter and CoCE can be found at the Company’s website, www.texchemgroup.com.

The Group is committed towards sustainable development and believes that sustainable corporate success requires the highest standard of corporate behavior including measuring up to public expectations on its economic, environmental, social and corporate governance responsibilities. As a socially responsible citizen, the Company shall approach the process of addressing higher expectations of economic, environmental, social and corporate governance responsibilities as part of how the Company normally works and thinks. The Group’s effort in this regard including the corporate responsibility activities in the financial year under review have been set out in the Sustainability Statement in this Annual Report. A copy of the Sustainability Policy is available on the Company’s website at www.texchemgroup.com.

Every Director has unhindered access to the advice and services of the Company Secretaries. The Company Secretaries are accountable directly to the Board on all matters to do with proper functioning of the Board and provide unimpeded advice and services to the Company’s Director, as and when the need arises. The Company Secretaries also ensure that the Board Committees function effectively based on the respective Terms of Reference.

The Board recognises that the decision making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and/or the Group. The Directors are provided with relevant and timely information on matters to be discussed or considered at meetings of the Board and Board Committees.

II Board Composition

The NC comprised the following members during the financial year under review:

Members	
Dato’ Seri Nazir Ariff Bin Mushir Ariff	Chairman, Independent Non-Executive Director
Dato’ Danny Goon Siew Cheang	Independent Non-Executive Director

The NC met three (3) times on 25 January 2018, 27 February 2018 and 19 December 2018. The meetings were attended by all the members of the NC. Tan Sri Dato’ Seri (Dr.) Fumihiko Konishi and Cik Zarizana @ Izana Binti Abdul Aziz were invited by the Chairman of the NC to attend the meetings.

The NC consists entirely of Non-Executive Directors, all of whom are independent.

The NC is empowered by the Board and its Terms of Reference to bring to the Board recommendations as to the appointment of new Directors and appointment of Directors to Board Committees. The NC also keeps under review the Board structure, size and composition, the Board succession planning as well as training programmes. Among the changes made to the Board composition during the financial year under review until the date of this statement are as follows:

1. Resignation of Dato’ Brian Tan Guan Hooi as the Deputy Chairman and a Director of the Company on 17 October 2018; and
2. Appointment of Mr Akihiko Hijioka as an Executive Director of the Company on 1 January 2019.

The activities undertaken by the NC for the financial year ended 31 December 2018 were as follows:

1. Reviewed the overall composition of the Board and Board Committees.
2. Conducted the annual assessment and the performance evaluation of the individual Directors and the Board as a whole; summarised the results of the annual assessment and the performance evaluation and reported to the Board on the outcome of such assessment.

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3. Reviewed the succession planning of Directors and Senior Management.
4. Reviewed the independence of the Directors.
5. Conducted the assessment on the AC and each of its members.
6. Assessed and recommended to the Board the appointment of the new Director, Mr Akihiko Hijioka as an Executive Director.
7. Made recommendation to the Board for the re-election of the Directors who are subject to retirement at the forthcoming Annual General Meeting ("AGM").

As at the date of this statement, the Board consists of seven (7) members; comprising three (3) Independent Non-Executive Directors and four (4) Executive Directors. The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations. A brief profile of each Director is presented in the Profile of Directors section of this Annual Report.

A summary of the Board composition is set out below:

Gender	Male - 86%		Female - 14%
Ethnicity	Malay - 29%	Chinese - 42%	Japanese - 29%
Nationality	Malaysian - 71%		Foreign - 29%
Age group	50-59 years - 57%	60-69 years - 14%	>70 years - 29%
Independence	Non-independent - 57%		Independent - 43%

The Board notes Practices 4.1 and 4.2 of the Code that at least half of the Board comprises independent directors and the tenure of an independent director does not exceed a cumulative term limit of nine (9) years. Based on the review of the Board's composition and assessment of individual Directors, the Board is of the view that the independence of the Independent Non-Executive Directors of the Company should not be determined solely or arbitrary by their tenure of service. The Board is confident that the current Board is able to exercise objective judgment on business and corporate affairs in the presence of the Independent Non-Executive Directors, two (2) of whom have served the Board for more than nine (9) years as they have retained independence of character and judgement, and are able to express their views without any constraint.

The Board ordinarily meets at least four (4) times a year with additional meetings convened when urgent and important decisions need to be made in between the scheduled meetings. During the financial year under review, the Board met five (5) times on 27 February 2018, 26 April 2018, 26 July 2018, 25 October 2018 and 19 December 2018 where it deliberated upon and considered various matters.

Details of each Director's meeting attendance during the financial year are as follows:

Meetings Attended (Out of 5)		
<u>Current Directors</u>		
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	Executive Chairman	5/5
Yap Kee Keong	President and Group CEO	5/5
Wong Kin Chai	Executive Director	5/5
Akihiko Hijioka ⁽¹⁾	Executive Director	N/A
Dato' Seri Nazir Ariff Bin Mushir Ariff	Independent Non-Executive Director	5/5
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director	5/5
Zarizana @ Izana Binti Abdul Aziz	Independent Non-Executive Director	5/5
<u>Former Director</u>		
Dato' Brian Tan Guan Hooi ⁽²⁾	Deputy Chairman	3/3

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Notes:

- (1) Appointed as Executive Director on 1 January 2019
 (2) Resigned as Deputy Chairman and Director on 17 October 2018
 N/A - Not applicable

Based on the level of time commitment demonstrated by individual Directors in attending Board meetings, Board Committee meetings, AGMs and site visits, the Board is confident that the Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company.

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn Bhd. Mr Akihiko Hijjoka, the newly appointed Executive Director would complete his MAP by April 2019, ie. within 4 months from the date of his appointment.

During the financial year under review, all Directors have attended various training programmes and seminars, details as set out below, to enhance their knowledge and expertise:

Directors	Training/ Seminars/ Conferences
<u>Current Directors</u>	
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	<ul style="list-style-type: none"> • Driving value with e-Procurement • Sushi King – KPMG Insights 360
Yap Kee Keong	<ul style="list-style-type: none"> • Driving value with e-Procurement • Sushi King – KPMG Insights 360
Wong Kin Chai	<ul style="list-style-type: none"> • Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide • Driving value with e-Procurement • Sushi King – KPMG Insights 360
Akihiko Hijjoka ⁽¹⁾	N/A
Dato' Seri Nazir Ariff Bin Mushir Ariff	<ul style="list-style-type: none"> • Driving value with e-Procurement • Sushi King – KPMG Insights 360
Dato' Danny Goon Siew Cheang	<ul style="list-style-type: none"> • Malaysian Code on Corporate Governance and Bursa's Listing Requirements – Application, Disclosure and Reporting Expectations (Roadshow) • Audit Committee Conference 2018 • Latest Developments on MFRS 15 & MFRS 16 • Driving value with e-Procurement • Sushi King – KPMG Insights 360 • MPERS: Case Studies in Practical Financial Reporting Including Impact of Companies Act 2016 and Revised Auditor's Report
Zarizana @ Izana Binti Abdul Aziz	<ul style="list-style-type: none"> • Read, Interpret and Analyse Financial Statements • Driving value with e-Procurement • Sushi King – KPMG Insights 360
<u>Former Director</u>	
Dato' Brian Tan Guan Hooi ⁽²⁾	<ul style="list-style-type: none"> • Audit Committee Conference 2018

Notes:

- (1) Appointed as Executive Director on 1 January 2019
 (2) Resigned as Deputy Chairman and Director on 17 October 2018
 N/A - Not applicable

The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

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III Remuneration

The RC comprised the following members during the year under review:

Members	
Zarizana @ Izana Binti Abdul Aziz	Chairman, Independent Non-Executive Director
Dato' Seri Nazir Ariff Bin Mushir Ariff	Independent Non-Executive Director
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director

During the financial year under review, the RC met two (2) times on 25 January 2018 and 27 February 2018. The meetings were attended by all the members of the RC.

The RC consists of Non-Executive Directors, all of whom are independent.

The RC is responsible for *inter alia* recommending to the Board the remuneration of the Executive Directors and Senior Management in all its forms such that the component parts of remuneration are structured to link rewards to corporate and individual performance.

The Board has in place a Remuneration Policy and Procedures, which is designed to:-

- (a) provide an overall remuneration package for Directors and Senior Management which is able to attract, engage and retain the right talent and to motivate Directors and Senior Management to drive the Company's long term objectives and to ensure business sustainability and growth; and
- (b) ensure that the Directors and Senior Management are offered an appropriate level of remuneration which is in line with the Company's strategic objectives and corporate value and which will not give rise to conflicts between the objectives and interests of the Company and the interests of individual Directors and Senior Management.

The RC assisted the Board to set up and implement the Remuneration Policy and Procedures by developing and administering fair and transparent procedures relating to determining, reviewing, assessing and recommending the remuneration packages for the Directors and Senior Management.

The Board will recommend the Director's fees and other benefits payable to Directors to the shareholders for approval at the AGM in accordance with Section 230(1) of the Companies Act 2016. Details of the remuneration of Directors and Senior Management for the year under review are provided in the CG Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The AC of the Company comprises 3 Independent Non-Executive Directors and is chaired by Dato' Danny Goon Siew Cheang.

All AC members are financially literate and the AC's composition and performance are reviewed by the NC annually and recommended to the Board for its approval.

In order to maintain an independent and effective AC, the NC ensures that all AC members appointed are Independent Non-Executive Directors who are financially literate with an appropriate level of expertise and experience and a strong understanding of the Company and Group's business. Further details on the AC are set out in the AC Statement of this Annual Report.

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II Risk Management and Internal Control Framework

The Board fulfills its responsibilities in risk governance by providing oversight of the Group's overall risk management process and risk exposure.

The Divisional Management and the Chief Risk Officer assessed and monitored the efficacy and effectiveness of the risk management controls and measures taken whilst the adequacy and effectiveness of the internal controls were reviewed by the AC in conjunction with the activities and reports of the Internal Audit.

The Board is of the view that the system of risk management and internal control in place during the year was sound and sufficient to safeguard the Group's assets, shareholders' investments and the interests of customers, employees and other stakeholders. Details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with stakeholders

The Company acknowledges the importance of transparent, timely and equal dissemination of quality material information to shareholders, investors and public at large. As such, the Board observed the Corporate Disclosure Guide issued by Bursa Malaysia Berhad which can be viewed from Bursa Securities' website at www.bursamalaysia.com as well as adhering to and complying with the disclosure requirements of the Listing Requirements.

The Company reaches out to its shareholders through the distribution of its annual report, quarterly financial results announcements, circulars to shareholders, press release and the various disclosures and announcements made to Bursa Securities.

In addition, the Company maintains a corporate website with links to Bursa Securities' website, through which shareholders may access for among others the latest information on the Company, the Board Charter and Terms of Reference of Board Committees.

II. Conduct of General Meetings

The Company's AGM is an important means of communication with shareholders. The Company fully recognises the rights of the shareholders and encourages them to exercise their rights at the AGM. Shareholders will be accorded ample opportunity and time to raise questions and concerns, and the Board and Senior Management will provide appropriate answers and clarifications. The key element of the Company's dialogue with its shareholders at the AGM is the opportunity to gather views of, and answer questions from, both individual and institutional shareholders on all issues relevant to the Company.

To encourage shareholders to attend AGMs, the Company's Forty Fourth AGM ("44th AGM") in 2018 was held in the city centre of Georgetown, Penang. Further, the Notice of the 44th AGM was issued twenty-eight (28) days before the AGM date.

To ensure effective participation of and engagement with shareholders, all members of the Board, Senior Management and external auditors were present at the 44th AGM to respond to the questions raised by the shareholders or proxies.

The Company had conducted poll voting via electronic means for all resolutions set out in the Notice of the 44th AGM. The shareholders were briefed on the voting procedures by the Share Registrar namely AGRITEUM Share Registration Services Sdn Bhd while the results of the poll were verified by the independent scrutineer, Value Creator Consultancy. The Company continues to explore on ways to leverage on technology to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

This CG Overview Statement was approved by the Board of the Company on 19 March 2019.