

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 8702  
**COMPANY NAME** : TEXCHEM RESOURCES BHD  
**FINANCIAL YEAR** : December 31, 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <p>1) Texchem Resources Bhd ("TRB" or "the Company") is led and controlled by an effective Board of Directors ("Board"). The Board is charged with the responsibility of leading and managing the Company and setting the strategic directions of TRB Group of Companies ("Group" or "TRB Group"). In order to ensure effective discharge of its functions and responsibilities, the Board has set up various Committees to assist the Board in the management of the Company's businesses. The Committees set up by the Board are:-</p> <ul style="list-style-type: none"><li>(a) Executive Committee ("EXCO")</li><li>(b) Audit Committee ("AC")</li><li>(c) Nomination Committee ("NC")</li><li>(d) Remuneration Committee ("RC")</li></ul> <p>2) The Board monitors the performance of subsidiaries and their business strategies through various management reports which are tabled to the Board and Board Committees during Board or Board Committee meetings to ensure that the direction and the control of the Company's businesses are firmly in hand. Below are some of the activities undertaken by the Board and Board Committees during the financial year ended 31 December 2018:</p> <p><u>Strategic plan</u></p> <ul style="list-style-type: none"><li>a) the Board discussed strategic, budget, sustainability, risk management and internal control, operational, market dynamics, financial performance, corporate governance matters and capital allocation strategy taking into consideration the long term business and financials of the Company. The Board also assessed the objectives and the progress in achieving them.</li></ul>

- b) the Board gave in depth consideration of the Company's strategy over the short, medium and long term upon presentation of the Company and Group's operation and financial performance by the Senior Management.
- c) the Board considered and approved the expenditure and acquisition plan proposed for the following year.
- d) the Board reviewed the financial performances against the Strategic Divisional Corporate Plan.
- e) the Board supervised and assessed Management performance by reviewing the annual budget at the beginning of the financial year. The Management team presented to the Board the recommended budget for the following year.
- f) the Chairman of the Board Committees reported to the Board on key issues deliberated and outcome of the Board Committees meetings.

Supervision and assessment of Management performance

- g) the Management team conducted regular meetings to address potential issues and deliberated on current problems faced. The Management team carried out a midyear business review and half yearly budget meeting.

Sound risk management and internal control

- h) the Board received the summary of the review and update on the Group's Enterprise Risk Management every 6 months.

Good corporate governance

- i) the Board periodically reviews the Board Committees' Terms of Reference to reflect the latest developments in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance ("Code"). The Board approved the adoption of Remuneration Policy and Procedures.
- j) the Board continues to promote good corporate governance and *inter alia* practise "Texchem Integrity and Accountability Pledge" as follows:
- we are committed to uphold integrity, transparency and accountability.
  - we have zero-tolerance on all forms of corruption in the course of our business dealings.

	<ul style="list-style-type: none"> <li>• we endeavour to develop and continuously strengthen our internal control systems to prevent any unethical practices.</li> <li>• we will comply with all laws, codes and guidelines for good corporate governance.</li> <li>• we will refrain from and fight against any form of corrupt practices.</li> </ul> <p><u>Succession planning</u></p> <p>k) the NC is entrusted to monitor the succession planning of Board, Board Committees and Senior Management team. NC has met up to discuss on the succession planning for Director and Senior Management.</p> <p><u>Effective communication with shareholders</u></p> <p>l) the Company takes proactive steps in communicating with its stakeholders. The Company keeps shareholders informed of all major developments and performance through timely announcements made to Bursa Securities via Bursa Link, press release and the Company's annual reports. All updated information will be posted on the Company's website at <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>. The finance team has regular update session with the Company's bankers while the operation team is proactive in liaising with its suppliers and customers.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>1) The roles and responsibilities of the Chairman of the Board have been clearly specified in item 6 of the Board Charter, which is available on the Company's website at <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>.</p> <p>2) The Executive Chairman, Tan Sri Dato' Seri (Dr.) Fumihiko Konishi leads and manages the Board's performance by providing leadership and guidance to the Board. The Chairman fulfils his role by:-</p> <ul style="list-style-type: none"><li>a) making sure that each Board meeting is planned effectively and conducted in an orderly and efficient manner. He encourages active participation and healthy discussion to ensure that dissenting views can be freely expressed and discussed so that decisions are taken on a sound and well-informed basis.</li><li>b) reviewing the agenda with company secretaries and ensuring that meeting papers are circulated at least 5 working days prior to the meeting.</li><li>c) chairing the Annual General Meetings ("AGM") of the Company and providing clarification on issues raised by shareholders.</li><li>d) instilling leadership in encouraging good corporate governance practices across TRB Group.</li><li>e) acting as the spokesman of the Company at the various press conferences, functions and activities of the Company.</li><li>f) Meeting with Senior Management regularly to provide counsel and feedback to the Senior Management on the Company's performance, development and succession as well as on the organisation structure.</li></ul>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1) The roles of the Executive Chairman and the Group Chief Executive Officer ("CEO") are distinct and separate, with a clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making.</li> <li>2) The Executive Chairman has been leading the Board in its responsibilities for the business and affairs of the Company and oversight of management.</li> <li>3) The Group CEO is responsible to the Board for the overall management and profit performance of the Group, including day to day operations and administration within the framework of Company policies, reserved powers and routine reporting requirements.</li> <li>4) The CEO may delegate aspects of his authority and power but remains accountable to the Board for the Company and for the Group's performance.</li> <li>5) Tan Sri Dato' Seri (Dr.) Fumihiko Konishi is the Executive Chairman of the Company.</li> <li>6) Mr Yap Kee Keong was appointed the Group CEO on 23 March 2018 and he continues to lead the Management to drive the Company and Group forward.</li> </ol>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1) Both Company Secretaries of the Company are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 ("Act"). One of the Company Secretaries is a member of the Malaysian Institute of Accountants and the other is a Licensed Secretary registered with the Companies Commission of Malaysia.</li><li>2) The Company Secretaries, whether alone or jointly, attend all Board and Board Committees meetings and keep the proper and accurate records of the proceedings of meetings and decisions made.</li><li>3) The Company Secretaries advise the Board on restriction regarding disclosure of price sensitive information, content and timing of materials announcements, corporate disclosures and also serve notice to the Directors and the principal officers to notify them of the closed periods for trading in the Company's shares pursuant to the Listing Requirements.</li><li>4) The Company Secretaries supported the Board by playing an important role to facilitate the overall compliance with the Act, the Code, Listing Requirements and other relevant laws and regulations.</li><li>5) The Board believes that the current Company Secretaries are capable of carrying out their duties to ensure the effective functioning of the Board.</li><li>6) During the financial year under review, the Company Secretaries attended training, seminars and regulatory briefings and updates which were relevant for the effective discharge of their duties.</li></ol>
<b>Explanation for departure</b>	:	

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<ol style="list-style-type: none"><li>1) To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated via e-mail to all Directors in advance of each new year by the Company Secretary. The calendar provides Directors with scheduled dates for Board meetings, Board Committees meetings and AGM.</li><li>2) With the fixing of meeting dates in advance, notices and meeting papers are generally distributed five (5) working days prior to the meetings. This ensures that Directors have full and timely access to information as well as sufficient time to appreciate issues to be deliberated at the meeting and thus, facilitated the decision making process.</li><li>3) The Board also receives documents on matters requiring the consideration prior to and in advance of each meeting and vide circular resolutions. The Board papers and papers accompanying circular resolutions are comprehensive and encompassed both quantitative and qualitative information so that informed decisions can be made.</li><li>4) The Chairman of the respective Board Committees would inform the Directors at Board Meetings of any salient matters noted by the Board Committees and which may be required to be brought up for Board attention or implementation.</li><li>5) Occasionally, Senior Management who can provide additional information or clarification and external consultants engaged on specific projects were invited to brief the Board.</li><li>6) Periodic briefings on industry outlook, the Group operations and site visits were conducted for the Directors to ensure that the Board is well informed of the Group's development.</li><li>7) Information furnished to the Board on an on-going basis includes forecasts, internal financial statements and the quarterly reports prepared on a Group basis including financial results and performance of the Company, with explanations of material variances between actual results and plan/budget.</li></ol>

	8) All proceedings of Board meetings were minuted. The minutes would be distributed to all Directors on a timely manner and tabled for confirmation at the next meeting. Signed copies of the minutes were kept in the minutes book maintained by the Company Secretaries.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>1) The Board had in 2012 formalised a Board Charter. The Board Charter is designed to achieve the following objectives:</p> <ul style="list-style-type: none"><li>a) to enable the Board to provide strategic guidance and effective oversight of Management;</li><li>b) to clarify the roles and responsibilities of members of the Board and Management to facilitate the Board and Management's accountability to the Company and its shareholders;</li><li>c) to ensure a balance of authority so that no single individual or group of Directors has unfettered powers; and</li><li>d) to assist the Board in the assessment of its own performance and of its individual Directors.</li></ul> <p>2) In accordance with item 12 of the Board Charter, the Board will periodically review the Board Charter and make any changes it determines necessary or desirable.</p> <p>3) The Board Charter was revised by the Board on 28 March 2015 and 26 October 2017 respectively. The Board Charter is available for reference on the Company's website at <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1) The Board had in 2012 formalised a Code of Conduct. The Code of Conduct was revised by the Board on 25 March 2016 and 26 October 2017 wherein it assumed the name, "Code of Conduct and Ethics" ("CoCE").</li> <li>2) The CoCE sets out the principles on dealing with conflicts of interest, bribery and corruption, money laundering, insider trading, confidentiality and protection of the Group's assets, fair dealing and equality in employment, health and safety and compliance with laws.</li> <li>3) The Directors and employees of the Company are obliged, at all times, to comply with the law and CoCE and are encouraged to report suspected unlawful and unethical behaviour. The Company would take appropriate action to address issues involving improper or unethical conducts or unlawful activities.</li> <li>4) The CoCE is available for reference on the Company's website at <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>.</li> </ol>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1) The ("CoCE") formalised by the Board includes the Whistleblower Policy which guides the Company’s directors and employees as well as external parties to approach the Company regarding any violation of the CoCE, improper or unethical conduct or illegal activities. The Whistleblower Policy underlines the Company's protection and reporting channel where every person can report to the Company on any instances of such violation.</li> <li>2) The Whistleblower Policy ensures that Group Human Resources Department (“GHRD”) will deal with any communication made in good faith (“Protected Disclosure”) appropriately. Whistleblowers should submit all Protected Disclosures to the Head of GHRD or Division President or President and Group CEO in writing or e-mail to ensure a clear understanding of the issue raised.</li> <li>3) The Head of GHRD or Group Internal Audit Department or Investigator(s) appointed by the President and Group CEO will be responsible to investigate/oversee the investigations. All investigators are independent and they are required to conduct their investigation and analysis in a fair and objective manner. They are also required to uphold high legal and professional standards.</li> <li>4) The Whistleblower Policy sets out in the CoCE is available for reference on the Company’s website at <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>.</li> </ol>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure												
<b>Explanation on application of the practice</b>	:													
<b>Explanation for departure</b>	:	<p>According to the Company's Memorandum and Articles of Association ("MAA"), the number of Directors (disregarding alternate Directors) shall be at least two (2) and (unless otherwise determined by ordinary resolution) not more than fifteen (15). Following the resignation of Dato' Brian Tan Guan Hooi and the appointment of Mr Akihiko Hijioka on 17 October 2018 and 1 January 2019 respectively, the Board remains with seven (7) members; comprising three (3) Independent Non-Executive Directors and four (4) Executive Directors. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are independent Directors.</p> <p>The current Board composition is as follows:</p> <table border="1"><thead><tr><th>Designation</th><th>No. of Directors</th><th>%</th></tr></thead><tbody><tr><td>Executive Directors</td><td>4</td><td>57</td></tr><tr><td>Independent Non-Executive Directors</td><td>3</td><td>43</td></tr><tr><td>Total</td><td>7</td><td>100</td></tr></tbody></table>	Designation	No. of Directors	%	Executive Directors	4	57	Independent Non-Executive Directors	3	43	Total	7	100
Designation	No. of Directors	%												
Executive Directors	4	57												
Independent Non-Executive Directors	3	43												
Total	7	100												
		<p>1) The Board is mindful that the Board does not comprise at least half of independent Directors. The Board is of the view that with:</p> <ul style="list-style-type: none"><li>a) Dato' Seri Nazir Ariff Bin Mushir Ariff's expertise, broad international experience and vast experience in various industries;</li><li>b) Dato' Danny Goon Siew Cheang's qualifications, expertise and extensive experience as a Chartered Accountant; and</li></ul>												

	<p>c) Cik Zarizana @ Izana Binti Abdul Aziz's legal background, areas of expertise including conveyancing and land matters, construction and development, manufacturing, employment, banking and finance, mergers and acquisition and intellectual property,</p> <p>the Board is able to exercise objective judgement on business and corporate affairs since their presence on the Board can provide an effective check and balance, unbiased and independent view, advice and judgement.</p> <p>2) In respect of potential conflicts of interest, the Board is comfortable that there is no undue risk involved as all related party transactions are disclosed and strictly dealt with in accordance with the Listing Requirements.</p> <p>3) Therefore, the lack of at least half of independent Directors in the Board did not jeopardise independence of Board deliberations and all decisions were made in the best interests of the Company.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p><b>Timeframe</b></p>	<p>: Choose an item.</p>

### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	: Applied - Two Tier Voting
<b>Explanation on application of the practice</b>	<p>1) The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in paragraph 1.01 of the Listing Requirements and Practice Note 13 of the Listing Requirements. The key elements for fulfilling the criteria are the appointment of independent Directors who are not members of Management (non-executive) and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. The assessment of independence of the Independent Directors is carried out upon appointment, annually and at any other time where the circumstances of a Director change such as to warrant reconsideration.</p> <p>2) Two (2) of the Independent Non-Executive Directors, Dato' Seri Nazir Ariff Bin Mushir Ariff and Dato' Danny Goon Siew Cheang, have each served on the Board for more than nine (9) years. The Board took note of the recommendation of the Code on the tenure of an independent director for a cumulative term of not exceeding nine (9) years. The Board believes that although Dato' Seri Nazir Ariff and Dato' Danny Goon have each served more than nine (9) years on the Board, they have retained independence of character and judgement and have not formed association with Management (or others) that might compromise their ability to exercise independent judgement or act in the best interests of the Group. Accordingly, the Board is making a recommendation to shareholders that both Dato' Seri Nazir Ariff and Dato' Danny Goon remain as Independent Non-Executive Directors based on the following justifications:</p>

	<p>a) The Board is of the view that Dato’ Seri Nazir Ariff’s expertise, broad international experience and vast experience in various industries provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board. The Board is confident that his length of service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company.</p> <p>b) The Board believes that with Dato’ Danny Goon’s qualifications, expertise and extensive experience as a Chartered Accountant and his accumulative knowledge of the Group’s business and operations, he has made and continues to make valuable contribution through his role as Chairman of the AC and his roles on the Remuneration and Nomination Committees. The Board is confident that Dato’ Danny Goon is able to carry out his duties and responsibilities independently and objectively notwithstanding his tenure on the Board.</p> <p>3) At the last AGM held on 24 April 2018, the Board tabled the resolutions on the continuing in office as Independent Non-Executive Director of Dato’ Seri Nazir Ariff and Dato’ Danny Goon which were duly passed by the shareholders’ of the Company by way of poll through a two tier voting process for each Independent Non-Executive Directors, the details of which are as follows:</p> <table border="1" data-bbox="571 1120 1388 1554"> <thead> <tr> <th rowspan="2">Resolutions</th> <th colspan="2">Voted For (%)</th> </tr> <tr> <th>Tier 1</th> <th>Tier 2</th> </tr> </thead> <tbody> <tr> <td>Approval to retain Dato’ Seri Nazir Ariff Bin Mushir Ariff as an Independent Non-Executive Director</td> <td>100</td> <td>99.0</td> </tr> <tr> <td>Approval to retain Dato’ Danny Goon Siew Cheang as an Independent Non-Executive Director</td> <td>100</td> <td>99.6</td> </tr> </tbody> </table> <p>4) At the end of financial year 2018, the Board has conducted an assessment of the independence of the Independent Non-Executive Directors and the results were favourable. Thus, the Board is confident that both Dato’ Seri Nazir Ariff and Dato’ Danny Goon had maintained their independence and shall seek shareholders’ approval at the forthcoming AGM to retain them as Independent Non-Executive Directors.</p>	Resolutions	Voted For (%)		Tier 1	Tier 2	Approval to retain Dato’ Seri Nazir Ariff Bin Mushir Ariff as an Independent Non-Executive Director	100	99.0	Approval to retain Dato’ Danny Goon Siew Cheang as an Independent Non-Executive Director	100	99.6
Resolutions	Voted For (%)											
	Tier 1	Tier 2										
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Approval to retain Dato’ Danny Goon Siew Cheang as an Independent Non-Executive Director	100	99.6										
<p><b>Explanation for departure</b> :</p>												

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

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied																																						
<b>Explanation on application of the practice</b>	:	<p>1) All Board and Senior Management appointments are made based on merit, in the context of diversity in skills, experience, age, background, gender, ethnicity and other factors.</p> <p>2) The current Board composition reflects a balance of Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals in the fields of accountancy, banking and finance, legal and corporate finance, property valuation, real estate development and property management. This combination of different professions and skills working together enables the Board to effectively lead and control the Company.</p> <p>3) The Board also embraces age diversity to encourage diversity in perspective and balance the Board's insight, experience and approach to the decision making. Following the resignation of Dato' Brian Tan Guan Hooi and the appointment of Mr Akihiko Hijioka on 17 October 2018 and 1 January 2019 respectively, the current diversity in the race, age and gender is set out below:</p> <table border="1" data-bbox="587 1272 1396 1496"> <thead> <tr> <th rowspan="3"></th> <th colspan="5">Nationality and ethnicity</th> </tr> <tr> <th colspan="4">Malaysian</th> <th rowspan="2">Foreign</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>Others</th> </tr> </thead> <tbody> <tr> <td>No. of Directors</td> <td>2</td> <td>3</td> <td>0</td> <td>0</td> <td>2</td> </tr> </tbody> </table> <table border="1" data-bbox="587 1532 1396 1715"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Age group</th> <th colspan="2">Gender</th> </tr> <tr> <th>50-59</th> <th>60-69</th> <th>&gt;70</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>No. of Directors</td> <td>4</td> <td>1</td> <td>2</td> <td>6</td> <td>1</td> </tr> </tbody> </table> <p>4) The Board through the NC's annual appraisal believes that the current composition of the Board brings the required mix of skills, independence, gender diversity and core competencies required for the Board to discharge its duties effectively.</p>		Nationality and ethnicity					Malaysian				Foreign	Malay	Chinese	Indian	Others	No. of Directors	2	3	0	0	2		Age group			Gender		50-59	60-69	>70	Male	Female	No. of Directors	4	1	2	6	1
	Nationality and ethnicity																																							
	Malaysian				Foreign																																			
	Malay	Chinese	Indian	Others																																				
No. of Directors	2	3	0	0	2																																			
	Age group			Gender																																				
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No. of Directors	4	1	2	6	1																																			
<b>Explanation for departure</b>	:																																							

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

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>1) The Board is supportive of diversity in the boardroom namely diversity in gender, ethnicity and age as such diversification would enlarge the pool of skills, talents, perspective and ideas within the Board. As an initial step taken by the Board towards achieving a more gender diversified Board, the Board has set the number of women on the Board at one (1) and the Board has achieved the target as currently there is one (1) female Independent Non-Executive Director on the Board.</p> <p>2) The Board is of the view that gender is an important aspect of diversity and will strive to ensure that:</p> <p>(a) female candidates with the relevant skills and experience are included for consideration by the NC whenever it seeks to identify a new Director for appointment to the Board; and</p> <p>(b) There is appropriate female representation on the Board of subsidiaries, recognising that the Boards' needs will change over time taking into account the skills and experience of the Boards.</p> <p>3) TRB Group has 21.67% women in top and senior management positions (General Managers and above), an increase from 15.15% in 2017 resulting from the various initiatives of retaining its women staff workforce. TRB Group will continuously strive to recruit, groom, retain and promote women in TRB Group as well as create an environment that supports women.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>1) Mr Akihiko Hijioka was appointed to the Board on 1 January 2019. The appointment was assessed and recommended by NC following the Board appointment process.</p> <p>2) The Board will consider recommendation of potential candidates from existing Board members, Management or major shareholders including independent sources.</p>
		<p>1) The Company practices a clear and transparent nomination process which involves the following stages:</p> <ul style="list-style-type: none"><li>a) identification of candidates.</li><li>b) evaluation of suitability of candidates.</li><li>c) meeting up with candidates.</li><li>d) final deliberation by the NC.</li></ul> <p>2) Candidates will be considered and evaluated by the NC in various aspects, <i>inter alia</i>, skills, knowledge, expertise and experience, professionalism, sound judgement, diversity of gender, time commitment, calibre and integrity and credibility on a continuing basis.</p> <p>3) The NC will then recommend the candidates for approval and appointment by the Board. The Company Secretaries will ensure that all appointments are properly made and that legal and regulatory obligations are met.</p> <p>4) An induction programme will be arranged for newly appointed Directors to familiarise themselves with the operations of the Group through briefings by the relevant Management teams.</p>

	<p>5) In line with the protocol adopted by the Company in relation to the acceptance of new directorship, each Director is required to notify the Chairman of the Board prior to accepting new directorships in public and public listed companies incorporated in Malaysia as well as directorships in corporations with similar businesses operating in the same jurisdiction; and the notice of appointment is also circulated/tabled to the Board for information.</p> <p>6) The Board through the NC ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. Under its Terms of Reference, the NC will evaluate and determine the training needs of the Directors under the continuing education programmes.</p> <p>7) The training programmes and seminars attended by the Directors during the financial year under review are set out in the Corporate Governance Overview Statement.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p><b>Timeframe</b></p>	<p>: Choose an item.</p>

### Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>1) By the NC's Terms of Reference, the members of the NC have elected a Chairman from amongst its members. The Board and the members of the NC have identified Dato' Seri Nazir Ariff Bin Mushir Ariff as the Independent Non-Executive Director to chair the NC.</p> <p>2) The Chairman of the NC shall:</p> <ul style="list-style-type: none"> <li>a) attend the AGMs and provide responses to questions addressed to him.</li> <li>b) lead the succession planning and appointment of Board members, including the future Chairman and CEO.</li> <li>c) lead the annual review of the Board effectiveness, ensuring that the performance of each individual Directors is independently assessed.</li> </ul> <p>3) During the financial year under review, Dato' Seri Nazir Ariff has led the NC, <i>inter alia</i>:</p> <ul style="list-style-type: none"> <li>a) to evaluate the Directors' performance as well as overall effectiveness of the Board as a whole;</li> <li>b) to evaluate term of office and performance of the AC and each of its members; and</li> <li>c) to assess and recommend the appointment of Mr Akihiko Hijioka as an Executive Director of the Company.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1) The NC systematically assesses the effectiveness of the Board, the Board Committees and the contribution of each individual Director on an annual basis. All assessments and evaluations carried out by the NC in the discharge of all its functions are documented. Assessment forms have been developed to facilitate the assessment process.</li><li>2) Assessment of the Board and Board Committees are performed on a Board review or self-assessment basis whilst assessment of individual Directors is performed on a peer review basis. Each Director is provided with the same set of assessment forms for their completion. The results of all assessments and comments by Directors are summarised and deliberated at the NC meeting and thereafter the NC's Chairman will report the results and deliberation to the Board.</li><li>3) The assessment of the Board and the Board Committees are based on:<ul style="list-style-type: none"><li>• composition</li><li>• board process</li><li>• adequacy of information and processes</li><li>• accountability</li><li>• performance benchmark</li><li>• standard of conduct</li></ul></li><li>4) The criteria used, amongst others, for individual Director includes:<ul style="list-style-type: none"><li>• abilities, competencies and knowledge</li><li>• integrity and personality</li><li>• participation at Board and Board Committees meetings including the contribution to the business strategies and performance of the Group</li><li>• attendance of meetings</li><li>• corporate governance</li><li>• independence</li></ul></li></ol>

	<p>5) In respect of the 2018 annual performance evaluation, it was concluded that:</p> <ul style="list-style-type: none"> <li>• the Board and the Board Committees are operating effectively</li> <li>• each Director continues to perform effectively and to demonstrate commitment to his/her role</li> </ul>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1) The policy practised on Directors and Senior Management' remuneration by the RC is to provide the remuneration packages necessary to attract, retain and motivate Directors and Senior Management of the quality required to manage the business of the Company and to align the interest of the Directors and Senior Management with those of the shareholders.</li><li>2) The Executive Directors did not participate directly in any way in determining their individual remuneration. Executive Directors receive bonuses based on the achievement of specific goals related to the performance of the Group (including operational results).</li><li>3) The Board as a whole determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. Independent Non-Executive Directors do not receive any performance related remuneration.</li><li>4) The Remuneration Policy and Procedures was recommended to the Board for approval by the RC on 27 February 2018. The Board will periodically review the Remuneration Policy and Procedures to ensure its effectiveness. A copy of the Remuneration Policy and Procedures is available for reference on the Company's website at <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>.</li><li>5) The Company had obtained its shareholders' approval for payment of Directors' fees; and payment of Directors' benefits to the 3 Independent Non-Executive Directors who were members of the AC for the financial year ended 31 December 2017 at the last AGM held on 24 April 2018.</li></ol>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1) The Board is supported by the RC to implement its policies and procedures on remuneration of the Board and Senior Management.</li> <li>2) The RC comprises all Independent Non-Executive Directors.</li> <li>3) The RC discharged its duties and responsibilities in accordance with its Terms of Reference, <i>inter alia</i>, reviewing the remuneration packages, reward structure and other benefits applicable to the Board and Senior Management; and making the appropriate recommendation to the Board.</li> <li>4) The duties and responsibilities of the RC have been clearly specified in the RC's Terms of Reference, which is available on the Company's website at <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>.</li> </ol>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Applied																																																																																																
<b>Explanation on application of the practice</b>	:	<p>In line with the Code, the disclosure of the remuneration of Directors' of the Company is made on a named basis. Details of the nature and amount of each major element of the remuneration of each Director during the financial year 2018 are as follows:</p> <table border="1"> <thead> <tr> <th>In RM'000</th> <th>Directors' Fees</th> <th>AC Fees</th> <th>Salaries</th> <th>Bonus</th> <th>Benefits in Kind</th> <th>Others</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td><b>Company</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>- <b>Executive Directors</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Tan Sri Dato' Seri (Dr.) Fumihiko Konishi</td> <td>300<sup>(1)</sup></td> <td>-</td> <td>384</td> <td>43</td> <td>64</td> <td>192</td> <td>983</td> </tr> <tr> <td>Yap Kee Keong</td> <td>300<sup>(1)</sup></td> <td>-</td> <td>163</td> <td>19</td> <td>9</td> <td>29</td> <td>520</td> </tr> <tr> <td>Wong Kin Chai</td> <td>100<sup>(1)</sup></td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> </tr> <tr> <td>Dato' Brian Tan Guan Hooi<sup>(2)</sup></td> <td>-</td> <td>-</td> <td>144</td> <td>-</td> <td>9</td> <td>128</td> <td>281</td> </tr> <tr> <td>- <b>Non-Executive Directors</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Dato' Seri Nazir Ariff Bin Mushir Ariff</td> <td>80<sup>(1)</sup></td> <td>10</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>90</td> </tr> <tr> <td>Dato' Danny Goon Siew Cheang</td> <td>80<sup>(1)</sup></td> <td>10</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>90</td> </tr> <tr> <td>Zarizana @ Izana Binti Abdul Aziz</td> <td>80<sup>(1)</sup></td> <td>10</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>90</td> </tr> <tr> <td><b>Subtotal</b></td> <td>940<sup>(1)</sup></td> <td>30</td> <td>691</td> <td>62</td> <td>82</td> <td>349</td> <td>2,154</td> </tr> </tbody> </table>	In RM'000	Directors' Fees	AC Fees	Salaries	Bonus	Benefits in Kind	Others	Total	<b>Company</b>								- <b>Executive Directors</b>								Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	300 <sup>(1)</sup>	-	384	43	64	192	983	Yap Kee Keong	300 <sup>(1)</sup>	-	163	19	9	29	520	Wong Kin Chai	100 <sup>(1)</sup>	-	-	-	-	-	100	Dato' Brian Tan Guan Hooi <sup>(2)</sup>	-	-	144	-	9	128	281	- <b>Non-Executive Directors</b>								Dato' Seri Nazir Ariff Bin Mushir Ariff	80 <sup>(1)</sup>	10	-	-	-	-	90	Dato' Danny Goon Siew Cheang	80 <sup>(1)</sup>	10	-	-	-	-	90	Zarizana @ Izana Binti Abdul Aziz	80 <sup>(1)</sup>	10	-	-	-	-	90	<b>Subtotal</b>	940 <sup>(1)</sup>	30	691	62	82	349	2,154
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In RM'000	Directors' Fees	AC Fees	Salaries	Bonus	Benefits in Kind	Others	Total
<b>Subsidiaries</b>							
- <b>Executive Directors</b>							
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	594	-	1,056	113	20	528	2,311
Yap Kee Keong	445	-	530	73	29	329	1,406
Wong Kin Chai	89	-	480	50	37	64	720
Dato' Brian Tan Guan Hooj <sup>(2)</sup>	-	-	443	-	18	343	804
<b>Subtotal</b>	1,128	-	2,509	236	104	1,264	5,241
<b>Total</b>	2,068	30	3,200	298	186	1,613	7,395

<sup>(1)</sup> subject to shareholders' approval at the forthcoming AGM.  
<sup>(2)</sup> Resigned on 17 October 2018.

Remuneration of Mr Akihiko Hijioka was excluded from the table above as his appointment to the Board was after the financial year ended 31 December 2018.

No remuneration were paid to the Non-Executive Directors who are also the Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors do not sit on the Board of any subsidiaries of the Group.

**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

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

### Practice 7.2

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

<b>Application</b>	:	Departure																																																																																																						
<b>Explanation on application of the practice</b>	:																																																																																																							
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RM	SM1	SM2	SM3	SM4	SM5
<b>EPF and Others</b> 50,001 to 100,000		√	√		
100,001 to 150,000				√	
150,001 to 200,000	√				
250,001 to 300,000					√

“SM” denotes Senior Management.

The disclosure above is based on the remuneration of the top five (5) Senior Management of the Group which excludes the Group Chief Financial Officer. The Board has considered this matter and is of the opinion that the disclosure on a named basis would not be in the best interest of the Group due to confidentiality and security concerns as well as the competitive conditions for talent in the industry.

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

<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	By the AC's Terms of Reference, AC members shall elect from among their members, a Chairman, who shall be an Independent Non-Executive Director. On 12 March 2003, the AC members had appointed Dato' Danny Goon Siew Cheang, a Chartered Accountant and an Independent Non-Executive Director of the Company as AC Chairman. He is not the Chairman of the Board. The Chairman of the Board is Tan Sri Dato' Seri (Dr.) Fumihiko Konishi.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	To-date, the Company has not appointed a former audit partner to be a member of the TRB AC.	
		However, such a policy would be established when the need arises in future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1) The AC has obtained annual assurance of independence from external auditors after the audit. The external auditors have implemented a number of firm wide ethics and independence systems to maintain objectivity, to be free from conflicts of interest when discharging their professional responsibilities and monitor compliance with their firm's policies in relation to independence and ethics. Moreover, the external auditors have an audit engagement partner rotation policy of five (5) years.</li><li>2) The AC has adopted Appendix II of the Guidance on Effective Audit and Risk Management of Bursa Malaysia's 2017 Corporate Governance Guide, 3rd Edition, to review and assess with Management annually, the performance, suitability, objectivity and independence of the external auditors and the level of non-audit services rendered by them which would not impair their objectivity and independence as external auditors of the Company.</li><li>3) During the year, the AC has also assessed the nature and extent of non-audit services rendered by the external auditors and the appropriateness of the level of their fees. Details of such non-audit services and fees are set out in the Audit Committee Statement.</li><li>4) Being satisfied with the external auditors' performance, technical competency and audit independence, the AC recommended to the Board for their re-appointment. The Board has approved the AC's recommendation for shareholders' approval to be sought at the forthcoming AGM on the re-appointment of the external auditors for the ensuing year.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted																								
<b>Explanation on adoption of the practice</b>	:	<p>1) By the AC's Terms of Reference, AC members are appointed by the Board from among the Board members and shall consist of no fewer than 3 Non-Executive Directors, with a majority of them being independent.</p> <p>2) The composition of the AC during the year was as follows:</p> <table border="1"><thead><tr><th colspan="6">Members</th></tr></thead><tbody><tr><td>Dato' Danny Goon Siew Cheang</td><td></td><td></td><td></td><td>Chairman, Independent Director</td><td>Non-Executive</td></tr><tr><td>Dato' Seri Nazir Ariff Bin Mushir Ariff</td><td></td><td></td><td></td><td>Independent Director</td><td>Non-Executive</td></tr><tr><td>Zarizana @ Izana Binti Abdul Aziz</td><td></td><td></td><td></td><td>Independent Director</td><td>Non-Executive</td></tr></tbody></table>	Members						Dato' Danny Goon Siew Cheang				Chairman, Independent Director	Non-Executive	Dato' Seri Nazir Ariff Bin Mushir Ariff				Independent Director	Non-Executive	Zarizana @ Izana Binti Abdul Aziz				Independent Director	Non-Executive
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Dato' Seri Nazir Ariff Bin Mushir Ariff				Independent Director	Non-Executive																					
Zarizana @ Izana Binti Abdul Aziz				Independent Director	Non-Executive																					

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>1) The AC members are expected to devote adequate time to update their knowledge and skills through appropriate continuing education programmes so that they can discharge their responsibilities effectively as an AC.</p> <p>2) The AC Chairman and members of the AC are financially literate and have carried out their duties in accordance with the AC's Terms of Reference.</p> <p>3) Based on the outcome of the AC effectiveness assessment carried out by the NC during the year, the Board is satisfied with the AC's performance as its Chairman and members possessed the necessary knowledge, experience and skills necessary for the overall effectiveness of the AC in the following:</p> <p>(a) Financial reporting and its process The AC reviewed the unaudited quarterly financial announcement and audited annual financial statements of the Company and Group with Management in the presence of the external auditors and Chief Audit Executive ("CAE") before recommending them for approval by the Board and issuance to stakeholders.</p> <p>As part of the governance process to review the quarterly and annual financial statements by the AC :</p> <ul style="list-style-type: none"><li>• Based on the assurance assignments undertaken in each quarter, the CAE assured the AC that there were no material issues or major control deficiencies noted which would pose a high risk to the overall system of internal control under review.</li></ul>

	<ul style="list-style-type: none"> <li>The external auditors have reviewed the quarterly unaudited Condensed Consolidated Financial Statements which have been prepared in all material respects with MFRS134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements.</li> <li>The external auditors have presented their independent Auditor’s Report on the Annual Financial Statements of the Company and Group for the year ended 31 December 2018 together with the key audit matters therein and their observations, findings and recommendation for improvements noted during their audit.</li> </ul> <p>(b) Continuing education: During the year, the AC members attended the following training programmes to keep abreast of the latest industry developments, financial reporting standards and business practices:</p> <table border="1" data-bbox="592 875 1388 1850"> <thead> <tr> <th data-bbox="592 875 914 947">Director</th> <th data-bbox="914 875 1388 947">Training/ Seminars/ Conferences</th> </tr> </thead> <tbody> <tr> <td data-bbox="592 947 914 1059">Dato’ Seri Nazir Ariff Bin Mushir Ariff</td> <td data-bbox="914 947 1388 1059"> <ul style="list-style-type: none"> <li>Driving value with e-Procurement</li> <li>Sushi King – KPMG Insights 360</li> </ul> </td> </tr> <tr> <td data-bbox="592 1059 914 1659">Dato’ Danny Goon Siew Cheang</td> <td data-bbox="914 1059 1388 1659"> <ul style="list-style-type: none"> <li>Malaysian Code on Corporate Governance and Bursa’s Listing Requirements – Application, Disclosure and Reporting Expectations (Roadshow)</li> <li>Audit Committee Conference 2018</li> <li>Latest Developments on MFRS 15 &amp; MFRS 16</li> <li>Driving value with e-Procurement</li> <li>Sushi King – KPMG Insights 360</li> <li>MPERS: Case Studies in Practical Financial Reporting Including Impact of Companies Act 2016 and Revised Auditor’s Report</li> </ul> </td> </tr> <tr> <td data-bbox="592 1659 914 1850">Zarizana @ Izana Binti Abdul Aziz</td> <td data-bbox="914 1659 1388 1850"> <ul style="list-style-type: none"> <li>Read, Interpret and Analyse Financial Statements</li> <li>Driving value with e-Procurement</li> <li>Sushi King – KPMG Insights 360</li> </ul> </td> </tr> </tbody> </table>	Director	Training/ Seminars/ Conferences	Dato’ Seri Nazir Ariff Bin Mushir Ariff	<ul style="list-style-type: none"> <li>Driving value with e-Procurement</li> <li>Sushi King – KPMG Insights 360</li> </ul>	Dato’ Danny Goon Siew Cheang	<ul style="list-style-type: none"> <li>Malaysian Code on Corporate Governance and Bursa’s Listing Requirements – Application, Disclosure and Reporting Expectations (Roadshow)</li> <li>Audit Committee Conference 2018</li> <li>Latest Developments on MFRS 15 &amp; MFRS 16</li> <li>Driving value with e-Procurement</li> <li>Sushi King – KPMG Insights 360</li> <li>MPERS: Case Studies in Practical Financial Reporting Including Impact of Companies Act 2016 and Revised Auditor’s Report</li> </ul>	Zarizana @ Izana Binti Abdul Aziz	<ul style="list-style-type: none"> <li>Read, Interpret and Analyse Financial Statements</li> <li>Driving value with e-Procurement</li> <li>Sushi King – KPMG Insights 360</li> </ul>
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<b>Explanation for departure</b> :									

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

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>1) The Board affirms its’ responsibility for the integrity, adequacy and effectiveness of TRB Group’s risk management and internal control system. This system covers governance, enterprise risk management, strategic, organisational, financial, operational, regulatory and compliance controls.</p> <p>2) The Board recognises that the system is an ongoing process designed to manage, rather than eliminate the risk of not complying with the Group’s policies and achieving its long-term strategic objectives. Therefore, the system provides reasonable, but not absolute assurance against the occurrence of any material misstatement of information, loss or fraud.</p> <p>3) The Group has an Enterprise Risk Management (“ERM”) framework and is currently harmonising with ISO31000 aligned with corporate objectives and embedded in the daily operations of individual companies. The ERM system is an ongoing and systematic process to identify, analyse, evaluate, respond, monitor and report on risks.</p> <p>4) The Group has a Risk Management Policy which is a statement of its overall intention and commitment to adopt and use enterprise risk management to achieve corporate objectives. The policy which is available on the Company’s website (<a href="http://www.texchemgroup.com">www.texchemgroup.com</a>) applies to the Company and its’ subsidiaries excluding associates.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

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

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

## Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>1) The key features and processes that have been established to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system are as follows:</p> <p>a) Organisational and Reporting Structure</p> <ul style="list-style-type: none"><li>• The Group has an organisational structure with clearly defined lines of responsibility and delegation of authority. A hierarchical reporting system is in place with appropriate authority limits, proper segregation of duties, annual budgeting, monthly reporting of variances between the actual and budgeted results for corrective action to be taken and human resource management policies. Policies and procedures to ensure compliance with risk management, internal controls and relevant laws and regulations are set out in the standard operating procedures of the individual companies.</li></ul> <p>b) Strategic Plan</p> <ul style="list-style-type: none"><li>• The Group has a 5 year strategic plan approved by the Board. This long-term plan is reviewed and updated every 5 years or earlier in tandem with market changes and the business environment. A review of the achievement of these plans is conducted for further management remedial action, as and when required.</li></ul> <p>c) Executive Committee</p> <ul style="list-style-type: none"><li>• An EXCO was established by the Board to manage the Group's key risks and operations in accordance with its' annual budget and long-term strategic objectives and strategies as well as the policies and business directions as approved by the Board. The EXCO executes the strategies approved by the Board and addresses issues arising from changes in the external environment and internal operating conditions.</li></ul>

d) Risk governance structure

- The current risk governance structure comprises the following namely:
  - i) Individual companies' management and risk owners who perform and monitor day-to-day risk management activities and controls.
  - ii) Risk and compliance oversight in which the Group Chief Risk Officer and Divisional Management and their risk officers are responsible for designing, reviewing and improving the risk management framework and process to ensure effective risk management.
  - iii) The provision of independent assurance by the internal audit function on the adequacy and effectiveness of risk management and internal control systems and external audit providing independent assurance on the financial reporting risks and controls impacting the annual financial statements.
  - iv) Board oversight and monitoring of the effectiveness of the Group's risk management activities and internal controls.

e) Risk Management Process

- At individual company level, risks were identified, analysed and evaluated using risk (heat) maps currently based on their likelihood of occurrence and severity of consequence expressed as financial impact on cash flow and profit. Risks were rated as critical, high, moderate and low in which key risks identified would comprise mainly critical, high and moderate risks. Bow-tie diagrams were developed for each of the 5 to 6 key risks to determine their risk sources and consequence so that appropriate and effective risk controls can be instituted to manage them. Risk controls were delegated to risk owners for execution, monitoring and improving their effectiveness.
- Every six (6) months, the Management of individual companies will review the relevance of existing risks and assessed new ones. The respective company's own risk profile is updated after assessing the suitability and effectiveness of the risk controls.
- The Divisional President/CEO then reviews the divisional risks and their control effectiveness with Individual companies' Management. The Risk Report by each Divisional President/CEO is then submitted to the Chief Risk Officer at the corporate headquarters for review.

	<ul style="list-style-type: none"> <li>• The Chief Risk Officer who is also the Group Chief Financial Officer has reviewed and presented the Group’s Risk Report and updated the Board every six (6) months on the status of the Group’s enterprise risk management process, changes in risk profiles and their controls in place.</li> </ul> <p>f) Risk Management Assurance</p> <ul style="list-style-type: none"> <li>• The Group’s in-house Internal Audit function has conducted independent audits of major subsidiaries on the adequacy and effectiveness of their governance, enterprise risk management and internal control systems, operational effectiveness, compliance with policies and procedures and highlighted findings of non-compliance, control deficiencies and recommendation for improvement.</li> <li>• An enterprise risk based annual audit plan setting out the audit frequency, timing, areas of audit focus and scope of work has been approved by the AC at the beginning of each year.</li> <li>• During the year, the Internal Audit function has provided the senior Management, AC and Board with reports on the audit findings, recommendations for improvement and management’s responses and action plans. The Internal Audit has also provided the AC and Board with updates on the subsequent execution of the management’s action plans. Audit issues and action taken by Management were discussed and deliberated during the AC meetings. Minutes of the AC meetings which recorded these deliberations were tabled to the Board. A summary of these issues, if material, and other matters highlighted by the Internal Audit for the year was also tabled for the Board’s attention at year end.</li> </ul> <p>g) Assurance by President and Chief Executive Officer and Chief Financial Officer</p> <ul style="list-style-type: none"> <li>• The Board has also received assurance from the President and Group Chief Executive Officer and Group Chief Financial Officer that the risk management and internal control systems of the Company and its subsidiaries are operating adequately and effectively, in all material aspects based on the risk management and internal control system adopted.</li> </ul>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<ol style="list-style-type: none"><li>1) The AC is assisted by an in-house Internal Audit function in discharging its duties and responsibilities which is independent of the Group's operations and business activities.</li><li>2) The Internal Audit function is established to add value and improve the Group's operations by conducting independent and objective assurance and consulting activities to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system in achieving corporate objectives. In its current structure, the Internal Audit is able to provide Directors and Management with pertinent information about weaknesses in the system of risk management and internal control allowing Management to take timely remedial action.</li><li>3) The Internal Audit's position, objectives, independence, ethical conduct, authority, role, responsibilities and scope of work are articulated in the Internal Audit Charter approved by the Board which is posted at the Company's website, <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>. The Internal Audit Charter is reviewed annually and updated as and when required.</li><li>4) The Internal Audit function reports administratively to the Group Chief Executive Officer and functionally to the AC who reviews and approves its annual risk based Audit Plan, cost budget and human resources requirements to ensure it is adequately resourced with competent and proficient internal auditors. The AC also conducts annual performance evaluation of the Internal Audit function and its staff.</li><li>5) An enterprise risk based approach aligned with corporate objectives is adopted in audit planning so that critical and high audit risk areas are audited annually. Audit risks are determined based on enterprise risks identified by Management, prior audit experience and Management input. They are then rated as critical, high, moderate and low audit risks based on the same criteria of likelihood of occurrence and consequence adopted in the Group's enterprise risk management system. The plan, which covers the audit of subsidiaries excluding associates, sets out the audit frequency, timing, scope of work, areas of audit focus and resource requirements. Subsidiaries with higher audit risks were audited first.</li></ol>

	<p>6) During the year, the Internal Audit conducted assurance assignments in accordance with the risk based plan. The Internal Audit function had reviewed and evaluated the adequacy and effectiveness of Internal controls of the Group’s governance and risk management system relating to:</p> <ul style="list-style-type: none"> <li>• Achievement of corporate objectives</li> <li>• Reliability and integrity of financial and operating information</li> <li>• Effectiveness and efficiency of operations</li> <li>• Safeguarding of assets</li> <li>• Compliance with relevant laws, regulations, internal policies and procedures</li> </ul> <p>7) Significant audit findings and recommendations for improvement were reported in the Internal Audit Reports addressed to senior Management for prompt corrective action to be taken. The AC was provided with these Audit Reports with management’s responses and their action plans for review and deliberation with Management at the AC meetings. Follow-up reviews were also conducted by the Internal Audit function to ensure that audit matters were adequately addressed by Management.</p> <p>8) At year end, the CAE has presented his annual departmental report to the Board highlighting significant audit matters and issues, if any, noted during the year which the Internal Audit wished to bring to the Board’s attention.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1) Annual written confirmations were obtained from all internal audit staff that all assurance assignments were conducted objectively and independently free from any conflicts of interest and relationships.</li><li>2) The Internal Audit function has adopted the International Professional Practices Framework (IPPF), International Standards for the Professional Practice of Internal Auditing (the “Standards”) and Code of Ethics of the Institute of Internal Auditors, (US).</li><li>3) As part of its quality assurance and improvement programme, the Internal Audit function conducts an annual internal assessment of its conformance to the Standards and Code of Ethics and provides the assessment results to senior Management, Audit Committee and Board at year end. These assessment results are validated independently by an external assessor once every 5 years. In 2018, they were validated by the Institute of Internal Auditors Malaysia as external assessor.</li><li>4) At year end, the CAE has provided assurance to senior Management, Audit Committee and the Board that during the year the Internal Audit function and activities were conducted in conformance to the Standards and Code of Ethics and the audit assignments were also undertaken objectively and independently, free from any conflicts of interest and relationships, and in accordance with the Group’s Internal Audit Charter.</li></ol>

	<p>5) During the year, the Internal Audit function was headed by the CAE, Mr. Chow Kok Hong, who has a Master of Business Administration degree from Heriot Watt University (Scotland) and is a member of the Institute of Internal Auditors, Malaysia. He has been with the Group's Internal Audit function for more than 10 years, after having worked in the TRB Group's Accounting and Finance function and KPMG Penang for more than 10 years. He has intimate knowledge and understanding of the business and operations of all Divisions and has direct access to the TRB Board members and Divisional Management.</p> <p>6) At 31 December 2018, the staff strength of the Internal Audit function was 4 comprising the CAE, an Assistant manager and 2 Senior executives who are accounting graduates, with at least 7 years external and internal auditing experience, one of whom is a member of the Malaysian Institute of Accountants.</p> <p>7) In 2018, the Internal Audit staff attended relevant training courses to hone their professional competency and skills in internal auditing.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<ol style="list-style-type: none"><li>1) The Company acknowledges the importance of timely and equal dissemination of material information to shareholders, investors and public at large. As such, the Board observes the Corporate Disclosure Guide issued by Bursa Malaysia Berhad which can be viewed from Bursa Securities' website at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a> as well as adhering to and complying with the disclosure requirements of the Listing Requirements.</li><li>2) While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of legal and regulatory framework governing the release of material and price-sensitive information. Such material and price-sensitive information is not released unless it has been duly announced or made public through proper channels.</li><li>3) The Company's website, <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>, provides a comprehensive avenue for the dissemination of the latest information to the shareholders and public, such as dedicated sections on corporate information including financial information, Company news and corporate governance. Shareholders are able to put questions to the Company through its email published in the website and the Company will reply accordingly.</li><li>4) The Company also maintains a Facebook page "Texchem Group – Official" where corporate events and staff activities are posted as a way to engage with the employees and general public.</li><li>5) The AGM is the principal forum for dialogue with shareholders, who are given opportunity and time to express their views or raise questions in connection with the Company's operations, financial performance and other matters affecting shareholders' interests.</li></ol>

	<p>6) As an ongoing effort for the Company to strengthen the Company's relationship with the shareholders, the Company continues to build shareholders' confidence by keeping shareholders informed of all major developments and performance of the Group through timely announcement on quarterly results and various disclosures and announcements made to the Bursa Securities via the Bursa Link, press releases, the Company's annual reports and circulars to shareholders and maintaining an active dialogue with shareholders with the intention of giving shareholders as much as possible, a clear and complete picture of the Company's performance and position.</p> <p>7) Press conferences are also held to brief members of the media on key events of the Company. In addition, throughout the financial year under review, the Company had programmes for meetings or interviews with the investment community or press.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not Applicable to the Company in view that the Company does not fall within "large companies" definition.	
		The Company aims to adopt integrated reporting in the future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>1) The Company endeavours to issue the notice of AGM at least 28 days prior to the meeting to accord sufficient time to the shareholders to prepare for the meeting and make informed voting decisions.</p> <p>2) The notice for last year's AGM (44<sup>th</sup> AGM) held on 24 April 2018 was issued on 26 March 2018. The notice for the forthcoming AGM (45<sup>th</sup> AGM) scheduled on 23 April 2019 will be served on 25 March 2019. The notice period for both AGMs in 2018 and 2019 is 28 days which is in compliance with the requirement under the Company's MAA, the Act and the Listing Requirement that require the notice of AGM to be sent 21 days prior to the AGM.</p> <p>3) The notice of AGM also provides detailed explanations for resolutions proposed along with any background information and reports or recommendations that are relevant, where required and necessary, to enable shareholders to make informed decisions regarding the business agenda of the AGM. The notice of the AGM is also published in the Company's website at <a href="http://www.texchemgroup.com">www.texchemgroup.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>1) At the 44<sup>th</sup> AGM, all the 7 Directors were present in person to engage directly with the shareholders. Out of the 7 Directors, 3 Directors were the Chairman of the AC, NC and RC respectively. All Directors and Chairmen of the Board Committees were present on stage to provide response to questions posted by shareholders. The Senior Management and external auditors were also in attendance to respond to the shareholders' queries.</p> <p>2) The 44<sup>th</sup> AGM proceedings included the CEO's presentation of the Company's operating and financial performance for 2017, and Question &amp; Answers sessions. The Group Chief Financial Officer also shared with the shareholders the Company's responses to questions submitted by the Minority Shareholder Watchdog Group prior to the AGM.</p> <p>3) Shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written answer after the AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company does not have a large number of shareholders to warrant voting in absentia and/or remote shareholders' participation at General Meeting. As at 11 March 2019, the Company has 2,944 shareholders. The Company did not, in the past, held meetings in remote locations and does not intend to have meetings in remote locations in the future.</p> <p>1) To encourage shareholders to attend General Meetings:-</p> <p>a) the Company, as stated in the MAA of the Company, allows its shareholders to vote by proxy. A shareholder entitled to attend, speak and vote at a meeting may appoint up to 2 proxies to attend, speak and vote instead of the shareholder.</p> <p>b) the Company holds its general meeting at places that are easily accessible and at a time convenient to the shareholders. The Company has held its AGM in Jen Hotel in the past as it is familiar to most shareholders of the Company since several past AGMs were held at the same venue.</p> <p>2) Pursuant to Paragraph 8.29(A) of the Listing Requirements, all resolutions tabled at general meetings will be put to vote by way of a poll and verified by an independent scrutineer. Accordingly, the Company has adopted poll voting for all resolutions proposed since the Extraordinary General Meeting held in 2016. The voting results were announced at the meetings and through Bursa Securities on the same day.</p> <p>3) At the 44<sup>th</sup> AGM, the Company conducted poll voting via electronic means for all the 10 resolutions tabled. The results of the poll have been duly verified by Value Creator Consultancy, the independent scrutineer appointed by the Company, and announced by the Chairman at the AGM. The details of the voting results were announced to Bursa Securities on the same day.</p>

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

<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**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.*

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