

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7323  
**COMPANY NAME** : KEN HOLDINGS BERHAD  
**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>	:	The Board has overall responsibilities for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group. The key responsibilities of the Board include a review of overall strategic direction and objective for the Group and overseeing the business operations of the Group, evaluating whether it is properly managed. The Group has also formulated and adopted its "Vision Statement, Mission Statement and Core Values" to communicate the Group's strategic direction to stakeholders and promote positive corporate culture within the Group.
<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>	:	The Group Executive Chairman, Dato' Tan Boon Kang, is responsible for ensuring Board members engage during discussions of various matters including strategic issues, determining the Group's strategic business direction, ensuring effective communication with shareholders and relevant stakeholders and to champion good corporate governance practices in the Group. The Chairman also determines the agenda for the Board Meeting and ensures that the Board members are provided with adequate and timely information. The Chairman leads the meetings and ensures all Board members participate actively on various matters including strategic issues.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The positions of Group Executive Chairman and Group Managing Director are held by Dato' Tan Boon Kang and Ir. Tan Chek Siong, respectively, and their respective roles and responsibilities are governed by the Company's Board Charter. The Group Executive Chairman is responsible for ensuring Board effectiveness and to champion good corporate governance practices in the Group and the Group Managing Director has the overall responsibility for the day-to-day management of the business and implementation of Board policies and procedures.	
<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 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by a qualified and competent Company Secretary, who is a member of the Malaysian Institute of Accountants (MIA) and is qualified to act as Company Secretary under Section 235(2) of the Companies Act, 2016. The Directors are regularly updated by the Company Secretary on new statutes as well as regulatory requirements relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.</p> <p>The Company Secretary attends all board meetings and Annual General Meetings and ensures that accurate and proper records of the proceedings of board meetings are properly kept.</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 1.5**

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>	:	The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of the meetings. The Company had moved towards electronic Board papers since 2013. Board papers were circulated electronically to all Directors at least seven (7) days prior to the meeting to allow sufficient time for the Directors to review and obtain further explanations, where necessary in order to be properly briefed before the meeting. Minutes of each meeting are circulated to all Directors on a timely basis for review to be confirmed and adopted at the next meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter guides the Directors in relation to the Board’s fiduciary duties and responsibilities, various regulations and best practices governing their conduct and the need for safeguarding the interests of shareholders and stakeholders. It also identifies specific matters which are reserved for the Board including the following:</p> <ul style="list-style-type: none"> <li>(a) conflict of interest issues relating to a substantial shareholder or a director;</li> <li>(b) material acquisitions and disposition of assets not in the ordinary course of business;</li> <li>(c) approval of corporate plans and programmes;</li> <li>(d) approval of annual budgets, including major capital commitments;</li> <li>(e) approval of new ventures and investments in capital projects;</li> <li>(f) authority levels; and</li> <li>(g) approval of significant treasury policies.</li> </ul> <p>The Board will periodically review and update the Board Charter in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board’s responsibilities. The Board Charter is available on the Company’s website at <a href="http://www.kenholdings.com.my">www.kenholdings.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Group's Code of Conduct and Ethics sets the tone for proper and ethical behavior expected of the Board members and the employees. The Code of Conduct and Ethics serves as a reference for all parties to conduct themselves in accordance with key principles including integrity in discharging their duties, conflict of interest and confidentiality of information. It also sets out prohibited activities or misconduct involving gifts, gratuities, bribes, dishonest behaviour and sexual harrasment. Details of the Group's Code of Conduct and Ethics are available on the Company's website at <a href="http://www.kenholdings.com.my">www.kenholdings.com.my</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

The 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>	:	In its effort to enhance corporate governance, the Group has put in place a Whistle Blowing Policy, which was designed to create a positive environment in which employees and stakeholders can raise genuine concerns without fear of recrimination and to enable prompt corrective actions and measures to be taken where appropriate and necessary.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board currently comprise of three (3) Independent Non-Executive Directors (INEDs) and three (3) Executive Directors.</p> <p>The composition fulfils the requirements as set out under the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities which stipulates that at least 2 Directors or 1/3 of the Board, whichever is higher, must be independent and also fulfils the MCCG Practice 4.1 which requires at least half of the Board comprises Independent Directors.</p> <p>On 22 February 2019, the Board through the Nomination Committee had conducted an assessment and review of the independence of the Independent Non-Executive Directors which were prepared in accordance with the definition of Independent Director under Paragraph 1.01 of the Listing Requirements.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.2**

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>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:		
<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 4.3 - 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>	:	The Board is well represented by individuals with diverse professional backgrounds and experiences in the areas of engineering, finance, accounting, law and property development. The Nomination Committee, in making a recommendation to the Board on the recruitment of new Board member or Senior Management, shall have regard to the candidate's skill, knowledge, expertise and experience, age, gender, professionalism, integrity. In the case of candidates for the position of Independent Non-Executive Directors, the independence criteria as set out in Paragraph 1.01 of the Listing Requirements as well as the necessary skill and experience to bring an independent and objective judgment on issues considered by the Board and the ability to discharge such responsibilities as expected from independent non-executive directors. There was no new appointment of Board member or Senior Management during the financial year.
<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>	:	The Board believes in providing equal opportunity to candidates who have the skills, experience, core competencies and other qualities regardless of gender. However, women candidates will continuously be sought as part of the recruitment exercise of new Directors for the Company. A woman Director will be appointed to the Board as soon as a suitable candidate is identified.
<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 4.6**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	There was no new appointment of Directors during the financial year. However, the Board will consider utilising independent sources when sourcing for new Directors should the need arise.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination Committee is chaired by an Independent Non-Executive Director, YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail. The Nomination Committee comprise of three (3) Non-Executive Directors, all of whom are independent. The Terms of Reference of the Nomination Committee is available on the Company's website.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Nomination Committee conducted its annual appraisal via questionnaires on the effectiveness of the Board, its Committees and the contribution of each Director. The assessment involved individual Directors completing separate evaluation questionnaires regarding mix of skill and experience, independence of the Independent Directors, evaluation of Board and Board Committees, and peer evaluation in respect of fit and proper, performance, contribution to interaction – constructive expression of views and issues, quality of input and understanding of role as a Director. The results of these assessments are summarised by the Company Secretary and discussed by the Nomination Committee and thereafter reported to the Board. The Nomination Committee also took note of each individual Director’s attendance at Board meetings, Board Committee meetings and Annual General Meetings, their participation in discussions during the meetings and their commitment of time to the Company. The Nomination Committee, upon the review being carried out, is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board and its Committees.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Remuneration Committee is entrusted with the role of determining and recommending to the Board the remuneration framework as well as remuneration packages of the Board and Senior Management staff necessary to attract, retain and motivate Directors. The Board has established a Remuneration Policies and Procedures for Directors and Senior Management and is periodically reviewed. The Remuneration Policies and Procedures is available on the Company's website.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board has established a Remuneration Committee which comprise a majority of Non-Executive Directors. The Remuneration Committee is entrusted with the role of determining and recommending to the Board the remuneration framework for Directors as well as remuneration packages of Executive Directors, Non-Executive Directors and Senior Management necessary to attract, retain and motivate personnel of high calibre. The Terms of Reference of the Remuneration Committee is available on the Company's website.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 7.1

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

<b>Application</b>	: Applied					
<b>Explanation on application of the practice</b>	: Details of the Directors' remuneration of the Company and Group for the FYE 31 December 2018 categorised in appropriate components is set out below:					
	<b>GROUP</b>					
	<b>Director</b>	<b>Fee RM'000</b>	<b>Benefits-in kind RM'000</b>	<b>Salaries and Other Emoluments RM'000</b>	<b>Bonus RM'000</b>	<b>Total RM'000</b>
	Dato' Tan Boon Kang	20	17	1,315	500	1,852
	Ir. Tan Chek Siong	20	5	681	150	856
	Tan Moon Hwa	20	4	214	37	275
	YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail	20	-	12	-	32
	Dato' Ir. Dr. Ashaari Bin Mohamad	20	-	12	-	32
	Sha Thiam Lu	20	-	12	-	32
		120	26	2,246	687	3,079
	<b>COMPANY</b>					
	<b>Director</b>	<b>Fee RM'000</b>	<b>Benefits-in kind RM'000</b>	<b>Salaries and Other Emoluments RM'000</b>	<b>Bonus RM'000</b>	<b>Total RM'000</b>
	Dato' Tan Boon Kang	20	-	-	-	20
	Ir. Tan Chek Siong	20	-	-	-	20
	Tan Moon Hwa	20	-	-	-	20
	YAM Dato' Seri Syed Azni Ibni	20	-	12	-	32

	Almarhum Tuanku Syed Putra Jamalullail					
	Dato' Ir. Dr. Ashaari Bin Mohamad	20	-	12	-	32
	Sha Thiam Lu	20	-	12	-	32
		120	-	36	-	156
<b>Explanation</b> :						
<b>for departure</b>						
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>						
<b>Measure</b> :						
<b>Timeframe</b> :						

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure											
<b>Explanation on application of the practice</b>	:												
<b>Explanation for departure</b>	:	Details of the remuneration of each senior management on named basis is not disclosed due to confidentiality reasons and such disclosure may be prejudicial to the Company's business interests given the highly competitive conditions in the property development industry where poaching of senior management is common.											
		As an alternative, details of senior management whose remuneration falls within successive bands of RM50,000 is set out below:											
		<table border="1"> <thead> <tr> <th>Range of Remuneration</th> <th>Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM250,001 - RM300,000</td> <td>1</td> </tr> <tr> <td>RM450,001 - RM500,000</td> <td>1</td> </tr> <tr> <td></td> <td>2</td> </tr> <tr> <td></td> <td></td> </tr> </tbody> </table>	Range of Remuneration	Senior Management	RM250,001 - RM300,000	1	RM450,001 - RM500,000	1		2			
Range of Remuneration	Senior Management												
RM250,001 - RM300,000	1												
RM450,001 - RM500,000	1												
	2												
<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**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit Committee comprise of three (3) Non-Executive Directors, all of whom are independent. The Audit Committee Chairman, Mr Sha Thiam Lu, is not the Chairman of the Board. The roles and responsibilities of the Audit Committee are outlined in the Terms of Reference of the Audit Committee which is available on the Company’s website.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before appointed as a member of the Audit Committee was incorporated in the Terms of Reference of the Audit Committee. Presently, none of the Audit Committee members were former key audit partners within the cooling-off period of two (2) years.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Audit Committee conducts an annual assessment and evaluation of the external auditors via a questionnaire covering areas such as quality processes, competency of its audit team, audit communication and governance, independence and calibre before recommending to the Board for approval of the re-appointment of the external auditors. The Audit Committee also met with the external auditors without the presence of Executive Board members and management on 26 February 2018 to discuss on key concerns and obtain feedback relating to the Company’s affairs. The external auditors also have provided assurance to the Audit Committee on its independence via the Audit Planning Memorandum. The Audit Committee is satisfied with the independence and objectivity of the external auditors.
<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>	:	The Audit Committee comprise of the following Non-Executive Directors, all of whom are independent: a) Mr Sha Thiam Lu (Chairman); b) YAM Dato' Seri Syed Azni Ibni Almarhum Tuanku Syed Putra Jamalullail (Member); and c) Dato' Ir. Dr. Ashaari bin Mohamad (Member).

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Chairman of the Audit Committee, Mr. Sha Thiam Lu, is a member of the Malaysian Institute of Accountants and a Certified Financial Planner of the Financial Planning Association of Malaysia. All other Audit Committee members are equipped with knowledge and skills from various industries and coupled with their years of experience, they are able to provide advice to the Board. During the Audit Committee meetings, the Audit Committee members have been briefed by the external auditors on updates in relation to new or proposed changes in accounting standards and regulatory requirements and considered the implications to the financial statements presentation and disclosure arising from the adoption of the new Financial Reporting Standards. Additionally, all members of the Audit Committee had attended relevant briefings and trainings to ensure they are kept abreast with the latest developments in the industry to enable them to effectively carry out their duties.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board acknowledges that risk management and internal controls is an integral part of the overall management processes which is an ongoing process to identify, evaluate, monitor and manage and mitigate the risks that may affect the achievement of its business and corporate objectives. The Board continues to review the system to ensure that the risk management and internal control system provides a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud. The Board has established a risk management and internal control framework which consists of a formalised risk management policy and procedure for a systematic and consistent approach to evaluate and improve the adequacy and effectiveness of the Group's risk management process.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Statement on Risk Management and Internal Control is disclosed in the Annual Report 2018. The Board is satisfied that the risk management and internal control system in place for the year under review is adequate and effective to safeguard investment, the interest of customers, regulators, employees, and the Group’s assets.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

<b>Application</b>	:	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>	:	The Group outsourced its internal audit function to an independent consulting firm, which reports directly to the Audit Committee to assist the Audit Committee in discharging its duties and responsibilities. The Internal Auditor undertakes the internal audit function based on the audit plan that is reviewed and approved by the Audit Committee.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The internal audit personnel are free from any relationships or conflict of interest, which could impair their objectivity and independence. The Audit Team is headed by a manager who is assisted by an audit executive. Both manager and executive are accounting graduates from local universities. The Internal Auditors have performed its work in accordance with the principles of the international internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board recognises the importance of an effective communication channel between the Board, shareholders and the investment community. The AGM represents the principal forum for dialogue and interaction with shareholders where shareholders are informed of current developments. At the AGM, the Board provides ample time for the question and answer session and for shareholders to give their views to the Board. The Company also maintains its corporate website that allows all shareholders and investors access to information about the Group as well as announcements made to Bursa Malaysia Securities Berhad at <a href="http://www.kenholdings.com.my">www.kenholdings.com.my</a> which is updated regularly to provide the latest information about the Group, including announcements and quarterly results of the Group.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not a large company as defined under the Malaysian Code on Corporate Governance.	
		Presently, the Annual Report provides a fairly comprehensive overview on the Group's financial and non-financial information including the outlook and prospects of the Group to stakeholders.	
<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>	:	The Notice of Annual General Meeting and Annual Reports are sent out to shareholders at least twenty-eight (28) days before the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Board and Board Committee members are present at the Annual General Meetings to respond to any shareholders' queries during the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Company's AGM was held in the city centre and not in a remote location.
		In the event shareholders are unable to attend the AGM, the shareholders are allowed to appoint any person(s) as their proxies to attend, speak and vote in his/her stead at the AGM.
<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.

**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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