

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 6815  
**COMPANY NAME** : EUPE Corporation Berhad  
**FINANCIAL YEAR** : February 28, 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>Corporate governance is an integral part of our way of working and underpins how we conduct our business every day, and in turn informs our culture and our behaviour throughout Eupe Corporation Berhad ("Eupe" or the "Company") and its subsidiaries ("Group").</p> <p>The Group are headed by Eupe's Board of Directors ("Board"), comprising of one (1) Independent Non-Executive Chairman, one (1) Senior Independent Non-Executive Director, two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director who lead and are collectively responsible for meeting the strategic plans and goals of the Group, and to oversee the conduct of the Company's businesses and the performance of management. It plays a key role in ensuring that the tone for the Group's culture and values is set from the top.</p> <p>The Board is fully committed to maintain the highest standards of corporate governance, professionalism and integrity to create and deliver long term sustainable value to its shareholders.</p> <p>The Board is governed by Board Charter which clearly delineates relevant matters and applicable limits. The Board also established a Risk Management and Audit Committee ("RMAC"), a Nomination Committee ("NC") and a Remuneration Committee ("RC") and delegated specific authorities and responsibilities according to their Terms of Reference ("TOR"), to assist the Board in discharging its duties and responsibility effectively. The Board retains the ultimate responsibility for decisions made by the Board Committees.</p> <p>The Board reviewed and deliberated the strategic plan of the Company which supports long-term value creation, taking into considerations sustainability matters such as economic, environmental and social factors.</p>

In order to ensure the effective discharge of the Board's functions and responsibilities in meeting the goals and objectives of the Company and of the Group, the Board had carried out the following during the financial year ended 28 February 2018 ("FY2018"):

- a) The Board reviewed the strategic plans for the Group to support the long-term value creation for FY2018.
- b) The Group Managing Director ("GMD") is responsible for the day-to-day management of the business and operations of the Group. He is supported by Chief Financial Officer ("CFO") and Senior Management that comprises Head of Departments ("HODs") of various functions.
- c) The Board met 5 times during the financial year together with the GMD, CFO and HODs (when required) to review, challenge, deliberate and decide on management's proposals on the implementation of the Group's strategic plans. The Board also monitored the Group's businesses and performance of management through Key Performance Indicators, Interim Progress Report, Project Progress Update Report and Quarterly Financial Report to ensure that the Group's businesses are being properly managed and necessary resources were in place for the Group to meet its goals and targets.
- d) The Board has formalized a comprehensive Enterprise Risk Management ("ERM") Framework and clear governance structure that takes into account all significant aspects of internal controls including risks assessment, the control environment and control activities, information and communication and monitoring.

Key business risks have been categorized to highlight the source of the risk, and scored to reflect both financial and reputational impact of the risk and the likelihood of its occurrence.

The RMAC and Board oversee the ERM framework as well as areas of high risks and adequacy of compliance and control procedures throughout the Group. The Board recognised that business decisions involve the taking of appropriate risks and has set appropriate risk appetite within which the Board expects management to operate. The risk management framework enables the management to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks during the financial year.

- e) The Board ensures that Senior Management has the necessary skills and experience, and has also considered succession planning for Board and Senior Management personnel.

	<p>f) The Board maintains an open communications policy that enables the Board and its Management to communicate effectively with shareholders and members of the general public. Whenever appropriate, the Board or the relevant management personnel will respond to queries or opinion of the stakeholders on a timely manner.</p> <p>g) The Board also emphasised the importance of embracing the integrity and ethical values across the organisation. The same applies to the Company's financial and non-financial reporting to ensure reliability, timeliness, transparency and compliance with the relevant standards.</p> <p>h) The Board ensures that financial statements prepared for each financial year have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results and cash flows of the Company and the Group for the financial year.</p> <p>In preparing the financial statements the Board has:</p> <ul style="list-style-type: none"> <li>• Selected suitable accounting policies and applied them consistently;</li> <li>• Made judgements and estimates that are reasonable and prudent;</li> <li>• Ensured that all applicable accounting standards have been followed; and</li> <li>• Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group has adequate resources to continue in operations for the foreseeable future.</li> </ul>
<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>The Board of EUPE Group is Chaired by Datuk Tan Hiang Joo, who was redesignated as Independent Non-Executive Chairman on 25 January 2018. The roles and responsibilities of the Chairman of the Board have been clearly specified in Paragraph 4.3 of the Board Charter, which is available on the Company's website at <a href="http://eupe.com.my/investors">http://eupe.com.my/investors</a>.</p> <p>The Chairman's roles and responsibilities are summarized as follows:</p> <ul style="list-style-type: none"><li>• presiding at Board and shareholder meetings and ensuring the meeting proceedings comply with good conduct and practices;</li><li>• functioning as a facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussions takes place and that relevant opinions amongst members are forthcoming;</li><li>• ensuring that all Directors are enabled and encouraged to participate at Board meetings. This includes ensuring that all relevant issues are on the agenda and that all Directors receive timely and relevant information tailored to their needs and that they are properly briefed on issues arising at Board meetings;</li><li>• ensuring appropriate steps are taken to provide effective communication with stakeholders and that there are communicated to the Board as a whole; and</li><li>• guiding and mediating Board actions with respect to Group priorities and governance concerns.</li></ul>
<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>	:	<p>The positions of Chairman and Group Managing Director ("GMD") are held by two different individuals. The Chairman, Datuk Tan Hiang Joo leads and manages the Board in its collective oversight of management by focusing on strategy, governance and compliance whereas the GMD, Dato' Beh Huck Lee manages the business and day-to-day operations of the Company and implements the Board's decisions.</p> <p>The roles of Chairman and GMD are clearly defined in the Board Charter. The distinct and separate roles of the Chairman and GMD, with their clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.</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 1.4

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 Company is assisted by three (3) Company Secretaries, qualified to act as company secretary under Section 235(2) of the Companies Act 2016 ("CA 2016"). They are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>As the Company Secretaries play an important role in ensuring that the Company and the Board adhere to the applicable laws and regulations, their role and functions are clearly spelt out in the Board Charter.</p> <p>To ensure effective functioning of the Board and Board Committees and in accordance with their terms of reference and best practices, the Company Secretaries had performed the following tasks during the FY2018:</p> <ul style="list-style-type: none"><li>a) updated and advised the Board regularly in relation to its duties and responsibilities under the Company's Constitution (the "Constitution") and on the changes to statutory, regulatory requirements and principles and practices of corporate governance either via email or circulation of board papers;</li><li>b) assisted the Board in interpreting listing and other regulatory requirements;</li><li>c) managed and attended all Board and Board Committees meetings, ensuring that the deliberations and decisions made by the Board and Board Committees respectively are recorded and documented with any dissenting decisions by any members of the Board or Board Committees recorded accordingly;</li><li>d) ensured that the records of the proceedings of the Board and Board Committees meetings are properly kept at the registered office of the Company;</li><li>e) managed processes pertaining to the Company's 21<sup>st</sup> Annual General Meeting in line with the Constitution, CA 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").</li></ul>

	<p>In addition to the above, the Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in company law, listing requirements and corporate governance through attending relevant conferences and training programmes.</p> <p>During FY2018, the Company Secretaries had undertaken continuous professional development by attending relevant conferences, training programmes and continuous professional development programmes as required by MAICSA for practising company secretaries.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging their functions throughout the financial year.</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>	<p>The Board has unrestricted access to all information to allow them discharge their duties effectively and efficiently. As set and agreed between the members of the Board with the Company Secretary, the Management provided the Board meeting materials at least five (5) business days prior to the meeting, with Board papers which include, amongst others, the following:</p> <ul style="list-style-type: none"><li>• Minutes of the previous Board meetings;</li><li>• Minutes of the previous RMAC meeting;</li><li>• Minutes of the previous NC meeting;</li><li>• Quarterly financial results of the Company;</li><li>• Unaudited and audited financial statements;</li><li>• Financial performance and operations of the divisions;</li><li>• Future plans and projections of the Company;</li><li>• Ongoing projects and plans for ongoing projects leading towards the future and its anticipated impact on the Group; and</li><li>• Corporate reports such as Management Discussion &amp; Analysis, Statement of Corporate Governance, Sustainability Report, Directors' Statement On Risk Management &amp; Internal Control, and RMAC Report, which are to be included in the annual report.</li></ul> <p>If the meeting materials was circulated less than 5 business days to the Board due to heavy agendas, the Directors are provided with sufficient information for the board meetings, the Management prepared slide presentation during the meeting to facilitate discussion and deliberation by the Board.</p> <p>Separate reports with a brief statement of findings and/or recommendations are prepared as and when needed for Board's deliberation on strategic and policy issues, major investments and major financial decisions.</p>

	<p>Minutes of the previous Board and Board Committees meetings were circulated within a month after the said meetings as agreed between the Board members and respective Chairman of the Board Committees.</p> <p>The practice is for the minutes to record deliberations and decisions at Board and Board Committee meetings including matters where Directors abstained from deliberation and voting.</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 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 serves as a primary reference for prospective and existing Board members of their fiduciary duties as directors of EUPE Group, and the functions of the Board Committees. It sets out amongst other things, the key values, principles and ethos of the Company.</p> <p>The Board Charter, which aligns with Practice 2.1 of the Malaysia Code on Corporate Governance ("MCCG 2017"), fundamental requirements of provisions in the CA 2016, MMLR, the Constitution and other applicable rules and regulations clearly sets out, among others:</p> <ul style="list-style-type: none"><li>• the roles and functions of the Board and the Management;</li><li>• matters reserved for the Board;</li><li>• role profiles of Chairman and GMD of the Company as well as Board's expectations of the Chairman of the Board Committees;</li><li>• delegation to management; and</li><li>• terms of references of Board Committees.</li></ul> <p>The Board Charter is reviewed periodically to reflect changes to the Group's policies, TOR, procedures and processes as well as the latest relevant legislations and regulations in tandem with the line of sight outlined under the Intended Outcome 2.0 of MCCG 2017 with the latest review carried out on 2 May 2018.</p> <p>The Board Charter is available on EUPE Website at <a href="http://eupe.com.my/investors">http://eupe.com.my/investors</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>	:	<p>The Board has a Code of Ethics, which is included as Paragraph 10 of the Board Charter, sets out the standards of ethics and conduct expected from its Directors.</p> <p>On 2 May 2018, the Company has reviewed and expanded the Code of Conduct and Ethics which articulated acceptable practices and guide behavior of directors, management and employees, integrating the policies into company-wide management practices and it shall be periodically reviewed as and when the need arises. This Code is based on the principles of sincerity, integrity, responsibility and corporate social responsibility.</p> <p>The Directors are required to act in the best interest of the Company. The Directors also have a duty of confidentiality in relation to the Company's confidential information.</p> <p>A Director should disclose to the Board:</p> <ul style="list-style-type: none"><li>• any material personal interest he/she has in a matter which relates to the affairs of the Company; and</li><li>• any other interest (direct or indirect) which he/she believes is appropriate to disclose in order to avoid any conflict of interest or the perception of a conflict of interest.</li></ul> <p>The disclosure should be made as soon as practicable, after the Director becomes aware of his/her interest.</p> <p>The Directors' Code of Ethics is made available on the EUPE website at <a href="http://eupe.com.my/investors">http://eupe.com.my/investors</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 3.2**

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>	:	<p>The Group's Integrity Policy (Whistle Blowing Policy) and Procedures provides an avenue for a whistle-blower to raise concerns about fraud, malpractices, illegal acts and other acts or omission which is against the interest of the Group. Concerns shall be addressed according to procedures and feedback channels as determined in the policy.</p> <p>A summary of the Integrity Policy (Whistle Blowing Policy) and Procedures is made available on the Company's website at <a href="http://eupe.com.my/investors">http://eupe.com.my/investors</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**

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>During the financial year, the Board has five (5) Independent Non-Executive Directors out of eight (8) Directors, representing 63% of the total Board members.</p> <p>The eight (8) Board members comprise of one (1) Independent Non-Executive Chairman, one (1) Senior Independent Non-Executive Director, two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.</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>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years									
<b>Explanation on application of the practice</b>	:	<p>There are 2 Independent Non-Executive Directors of the Company who have served in that position for a cumulative term of more than nine (9) years as at the end of the financial year under review namely, Datuk Tan Hiang Joo and Ms. Kek Jenny. Their length of service with Eupe are as follows:</p> <table border="1"><thead><tr><th>Name of Directors</th><th>Year</th><th>Length of Service</th></tr></thead><tbody><tr><td>Datuk Tan Hiang Joo</td><td>21</td><td>19 May 1997 to 18 May 2018</td></tr><tr><td>Ms. Kek Jenny</td><td>16</td><td>28 March 2002 to 27 March 2018</td></tr></tbody></table> <p>The Board and NC had conducted evaluation of the above named directors through assessment conducted by Directors via Independent Directors' Self-Assessment Checklist based on, among others, the following criteria:</p> <ul style="list-style-type: none"><li>• Independence in judgment and ability to act in the best interest of the Company; and</li><li>• Tenure of the Independent Director.</li></ul> <p>Following the assessment by the NC and deliberation by the Board, Datuk Tan Hiang Joo and Ms. Kek Jenny, shall be recommended by the Board to continue to act as Independent Non-Executive Directors of the Company subject to shareholders' approval through a two-tier voting process at the forthcoming Annual General Meeting ("AGM") of the Company based on the outcome of the assessment and the following key characteristic displayed during the FY2018:</p>	Name of Directors	Year	Length of Service	Datuk Tan Hiang Joo	21	19 May 1997 to 18 May 2018	Ms. Kek Jenny	16	28 March 2002 to 27 March 2018
Name of Directors	Year	Length of Service									
Datuk Tan Hiang Joo	21	19 May 1997 to 18 May 2018									
Ms. Kek Jenny	16	28 March 2002 to 27 March 2018									

	<ul style="list-style-type: none"> <li>• Datuk Tan Hiang Joo <ul style="list-style-type: none"> <li>➤ He fulfils the criteria under the definition on independent director as stated in the Listing Requirements and is able to bring independent and objective judgment on the Board;</li> <li>➤ His experience in the legal and property sector has enabled him to provide the Board and Board Committees with pertinent expertise, skills and competence; and</li> <li>➤ He has been with the Company long and therefore understands the Company’s business operations which enable him to contribute actively and effectively during deliberations or discussions at the Board and Board Committees meetings.</li> </ul> </li> <li>• Ms. Kek Jenny <ul style="list-style-type: none"> <li>➤ She fulfils the criteria under the definition on independent director as stated in the Listing Requirements and is able to bring independent and objective judgment to the Board;</li> <li>➤ Her experience in the audit, financial due diligence and corporate advisory has enabled her to provide the Board and Board Committees with pertinent expertise, skills and competence; and</li> <li>➤ She has been with the Company long and therefore understands the Company’s business operations which enable her to contribute actively and effectively during deliberations or discussions at the Board and Board Committees meetings.</li> </ul> </li> </ul> <p>Overall, the Board believes that the above Directors possess the right balance of experience, expertise, skills and competencies to contribute independent and objective judgment to the Board. Additionally, they have exercised due care during their tenure and have carried out their professional duties in the best interests of the Company and its shareholders. They hold a solid understanding of the Company’s business operations which facilitates their effective deliberations at Board meetings.</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 4.3 - 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>The Board strongly endorses board diversity as it is of the view that a diversified Board provides constructive debate and discussion which lead to greater effectiveness, creativity and capacity to thrive in a challenging and uncertain business environment. The Board takes into consideration and aims to make good use of the differences in the skills, regional and industry experience, background, race, gender and other qualities of its Directors.</p> <p>The Board is committed in ensuring that the Senior Management of the Company possesses a broad balance of skills, knowledge, experience, age, cultural background, independence and diversity, including gender diversity.</p> <p>The Board also strives to ensure that there is no discrimination on age, gender, ethnicity and cultural background when deciding candidates on the composition of the Board and in Senior Management team.</p> <p>The NC is delegated with the responsibility of assessing and considering suitable candidates for the appointment of Board and Senior Management taking into consideration their skills, experience, age, cultural background, gender, capabilities, professionalism, integrity, expertise and experience.</p> <p>During the financial year under review, there are two (2) female Non-Executive Directors on Board namely Datin Paduka Teoh Choon Boay and Ms. Kek Jenny, representing 25 per cent of the total Board members.</p> <p>The Existing Directors' age distribution falling within the respective age group is as follows:</p> <table border="1" data-bbox="566 1579 1412 1713"> <thead> <tr> <th data-bbox="566 1579 837 1646"><i>Age Group</i></th> <th data-bbox="837 1579 1029 1646"><i>41-49 years</i></th> <th data-bbox="1029 1579 1220 1646"><i>50-59 years</i></th> <th data-bbox="1220 1579 1412 1646"><i>60 and above</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="566 1646 837 1713"><i>Number of Directors</i></td> <td data-bbox="837 1646 1029 1713"><i>3 (37.5%)</i></td> <td data-bbox="1029 1646 1220 1713"><i>3 (37.5%)</i></td> <td data-bbox="1220 1646 1412 1713"><i>2 (25.0%)</i></td> </tr> </tbody> </table>	<i>Age Group</i>	<i>41-49 years</i>	<i>50-59 years</i>	<i>60 and above</i>	<i>Number of Directors</i>	<i>3 (37.5%)</i>	<i>3 (37.5%)</i>	<i>2 (25.0%)</i>
<i>Age Group</i>	<i>41-49 years</i>	<i>50-59 years</i>	<i>60 and above</i>							
<i>Number of Directors</i>	<i>3 (37.5%)</i>	<i>3 (37.5%)</i>	<i>2 (25.0%)</i>							

	The current diversity in the race/ethnicity and nationality of the existing Board is as follows:						
	Race/ Ethnicity			Nationality			
	Malay	Chinese	Indian	Others	Malays-ian	Foreign-er	
<i>Number of Directors</i>	3	5	-	-	8	-	
<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>The Company strongly endorses diversity within the Board and across the Company as it is of the view that a diversified Board and Senior Management has the prospects of achieving greater effectiveness, creativity and capacity to thrive in a challenging and uncertain business environment.</p> <p>The Company takes into consideration and aims to make good use of the differences in the skills, regional and industry experience, background, race, gender and other qualities of its Directors and Senior Management.</p> <p>Hence the Company strives to ensure that there is no discrimination on the basis of age, ethnicity or gender when deciding on the composition of the Board and in appointment of Senior Management of Eupe Group.</p> <p>Thus, the Board had, codified a Board and Senior Management Diversity Policy, which has been reviewed and updated on 2 May 2018.</p> <p>The Company had set to have a target of at least 1 woman director on the Board and the target has been met as currently the Board has two (2) women directors.</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 4.6**

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>	:	<p>While the Board is responsible for the appointment of new Directors, the NC is delegated with the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board. NC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary.</p> <p>Nominees to the Board are first considered by the NC, taking into account the mix of skills, competencies, experience and other qualities required to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval. The NC will also rely on varied sources from recommendations from existing Board Member, management or major shareholders as well as independent sources.</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 4.7**

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 NC comprised wholly Non-Executive Directors, majority of whom are Independent Non-Executive Directors. The NC is chaired by Ms. Kek Jenny who is an Independent Non-Executive Director.	
<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>	:	<p>During the financial year under review, the NC, facilitated by the Company Secretaries, had conducted a formal and objective internal annual assessment of performance of the Board, as a whole, the Board Committees and individual Directors, based on self and peer assessment approach through questionnaires evaluation form. The assessment covers the size and composition of the Board as well as skill mix, industry experience, roles and responsibilities, and effectiveness.</p> <p>Below are the criteria used to assess Board, Board Committees and individual Directors respectively during the financial year:</p> <p>a) Directors' self-assessment</p> <ul style="list-style-type: none"><li>• ability to give input at meetings;</li><li>• demonstrate a high level of professionalism and integrity in the decision making process; and</li><li>• competency and contribution.</li></ul> <p>b) Board Committees' assessment</p> <p>c) Independent Directors' self-assessment</p> <p>The NC has adopted the same criteria of "Independence" used in the definition of "independent directors" prescribed under the LR and MCCG 2017.</p> <p>The results of the assessments are compiled by the Company Secretary for deliberation and recommendation at NC meeting and the NC will subsequently table the matter to the Board for their consideration.</p> <p>As required by the MMLR, all Directors have completed the Mandatory Accreditation Programme ("MAP") within the stipulated timeframe of four months from their respective date of appointments.</p> <p>Through the course of their directorship, Directors are updated on any developments or changes affecting the Company and their obligations to it at regular Board meetings.</p>

In order to ensure that Directors continue to further their understanding of the issues faced by the Group, Management further strengthens the Directors' continuous professional development plan during the year, ranging from governance to industry trends. The following is a summary of professional development attended by Directors for FY2018. In addition to the activities internally organised by Eupe, Directors also attended other forms of training organised by third parties with appropriate emphasis on the roles, functions and duties of the Directors.

Trainings attended by the Board during FY2018 included:

- Update on Malaysian Code on Corporate Governance;
- Overview, Practical Insights & Challenges of Companies Act 2016;
- Securities Commission Malaysia' Conversation with Audit Committee;
- Case Study Workshop for Independent Directors;
- China's One Belt One Road Initiative: Rise of East Asia and Pacific;
- Digital Banking and the 4th Industrial Revolution;
- Independent Directors Programme – The Essence of Independence;
- Capital Market Conference 2017;
- Impact of the Companies Act 2016 on Directors & Shareholders;
- Corporate Disclosure for Directors and Principal Officers of Listed Issuers; and
- The Companies Act 2016 – Its Impact and Dynamic.

The Board requires all members to devote sufficient time to the working of the Board, to effectively discharge their duties as Directors, and to use their best endeavours to attend the meetings.

The Board meetings as well as the Board Committee meetings are scheduled in advance before the end of each financial year so as to enable the Directors to plan accordingly and fit the year's meetings into their schedules. Special Board meetings may be convened to consider urgent proposals or matters that require expeditious decision or deliberation by the Board.

	<p>During FY2018, there were five (5) Board meetings and seven (7) Board Committees' Meetings held as follows:</p>		
<p><b>Directors</b></p>	<p><b>Attendance in meeting</b></p>		
	<p><b>BOD</b></p>	<p><b>RMAC</b></p>	<p><b>NC</b></p>
<p>Datuk Tan Hiang Joo</p>	<p>5 / 5</p>	<p>5 / 5</p>	<p>2 / 2</p>
<p>Dato' Beh Huck Lee</p>	<p>5 / 5</p>	<p>-</p>	<p>-</p>
<p>Muhamad Faisal Bin Tajudin</p>	<p>5 / 5</p>	<p>-</p>	<p>-</p>
<p>Datin Paduka Teoh Choon Boay</p>	<p>5 / 5</p>	<p>-</p>	<p>2 / 2</p>
<p>Dato' Paduka Haji Ismail Bin Haji Shafie</p>	<p>3 / 5</p>	<p>3 / 5</p>	<p>-</p>
<p>Iskandar Abdullah @ Sim Kia Miang</p>	<p>5 / 5</p>	<p>4 / 4</p>	<p>1 / 1</p>
<p>Kek Jenny</p>	<p>3 / 5</p>	<p>3 / 5</p>	<p>1 / 2</p>
<p>Alfian Bin Mohamed Basir (appointed w.e.f. 25 January 2018)</p>	<p>1 / 1</p>	<p>-</p>	<p>-</p>
<p>The Eupe Board recognises that it is important that all Directors should be able to dedicate sufficient time to the Company to discharge their responsibilities. The Board Charter provides that all Board members shall notify the Chairman of the Board before accepting new directorship which shall include an indication of time that will be spent on the new appointment. In addition, the Board reviews annually the contributions required from the Directors and whether they are spending sufficient time performing their responsibilities. At present, no Directors have more than five directorships at any one time.</p> <p>Based on the results of the assessments, the Board is satisfied with the level of commitment as well as the diverse perspectives of the Directors in fulfilling their roles and responsibilities as Directors of the Company.</p>			
<p><b>Explanation for departure</b></p>	<p>:</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>:</p>		
<p><b>Timeframe</b></p>	<p>:</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>	:	<p>In observing Practice 6.1 of MCCG 2017, a Remuneration Policy for Directors and Senior Management has been established.</p> <p>Among others, the key features of the policy are as follows:</p> <ul style="list-style-type: none"><li>• Determination of the remuneration;</li><li>• Policy on Salaries of Executive Directors and Senior Management;</li><li>• Policy on Other Benefits (Non-Cash Benefit) for the Executive Directors and Senior Management; and</li><li>• Policy on Remuneration of Non-Executive Directors.</li></ul> <p>Broadly, the Directors' remuneration packages are dictated by market competitiveness and the level of experience or responsibilities involved.</p> <p>The remuneration packages of the Executive Directors are aligned with the business strategy and performance of the Company and are tailored to attract, retain and motivate Director of the quality required to manage the business of the Company.</p> <p>In deciding on the appropriate level of fees and/or allowances for each Non-Executive Director, the Board takes into consideration, the experience, the level of responsibilities undertaken, time commitment required in attending both the scheduled and special Board meetings, deliberation time required for Board papers as well as the number of membership assumed on Board Committees.</p> <p>Any review or change to the existing package will be deliberated upon by the Board as a whole. The Directors will abstain from the deliberation of their individual remuneration.</p>

	<p>The Company's policies and procedures in determining the remuneration of Senior Management are taking into consideration their roles and responsibilities, individual skills, experience, competency as well as their performance against pre-set business objectives and key performance indicators.</p> <p>The Directors' fees and benefits, which have been reviewed by the Remuneration Committee, are recommended by the Board to the shareholders for approval at the forthcoming AGM.</p> <p>On 2 May 2018, the Remuneration Committee has revised the Remuneration Policy for Directors to include Senior Management, in line with the MCGG 2017 practices.</p> <p>The Remuneration Policy which will be reviewed periodically is made available at the Company's corporate website.</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

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 had on 25 January 2018 established a remuneration Committee comprising 3 Independent Non-Executive Directors, to implement the Remuneration Policy including reviewing and recommending matters relating to the remuneration of Board and Senior Management. The TOR of RC 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>	:	The remuneration of Directors is disclosed on named basis in page 42 of the Company's Annual Report 2018. The remuneration breakdown of Directors includes fees, salary, bonus, EPF, allowances and others.
<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 7.2

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>	:	The Board did not disclose on a named basis the top five (5) senior management's remuneration in bands of RM50,000 in order to allay valid concerns on invasion of staff confidentiality and the Company's ability to retain right talented Senior Management in view of the competitive employment environment in particular for the Group's property business.
<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 7.3 - 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>	:	Please refer to explanation in Practice 7.2.

**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>	:	<p>The Chairman of the Company is Datuk Tan Hiang Joo, an Independent Non-Executive Chairman who is a practising lawyer.</p> <p>Whereas, the RMAC Chairman is Encik Iskandar Abdullah @ Sim Kia Miang, an Independent Non-Executive Director who is a Fellow of the Institute of Chartered Accountants in England and Wales.</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 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>	:	<p>None of the members of the Board or the RMAC had been associated with nor have they held any senior leadership position with the Group's external auditors in the past two (2) years.</p> <p>The Company has been observing the policy of ensuring that for a former key audit partner to be considered as a member of RMAC, the said candidate is required to observe a cooling-off period of at least two (2) years before being appointed as a member of RMAC.</p> <p>Thus, on 2 May 2018, the above policy has been codified into the Terms of Reference of RMAC which was updated on even date.</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 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>	:	<p>The Board, via the RMAC, has in place the following policies which has been the Company's best practice during the financial year:</p> <ul style="list-style-type: none"><li>a) on appointment, re-appointment and removal of external auditor (including selection and qualification criteria).</li><li>b) on types of non-audit services that are prohibited and limits to the level of fees for non-audit services rendered by the external auditor.</li><li>c) to govern the appointment of a former key audit partner as a member of the RMAC and/or employee.</li></ul> <p>During the meeting held on 7 June 2018, the RMAC had assessed the external auditor on their quality of service, sufficiency of resources, communication and interaction, and independence, objectivity and professional scepticism.</p> <p>In ensuring that the provision of non-audit services to the Company does not impair the external auditors' independence or objectivity, the policy sets out the thresholds and procedures that need to be observed when contracting the external auditors to provide such services.</p> <p>During the year under review, the RMAC met with the external auditors namely RSM Malaysia twice, in the absence of the Management.</p> <p>The RMAC was satisfied with the suitability of RSM Malaysia, as a firm as well as in terms of the professional staff assigned to the audit, based on the quality of services and sufficiency of resources they provided to the Group.</p> <p>As recommended by RMAC, the Board had on 7 June 2018 approved the RMAC's recommendation for shareholders' approval to be sought at the forthcoming Annual General Meeting ("AGM") on the appointment of RSM Malaysia as the external auditors of the Company for the financial year 2019.</p> <p>For further details, please refer to Risk Management and Audit Committee Report in page 52 to 56 of the Annual Report 2018.</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 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 RMAC comprise solely Independent Directors as follows:		
		<b>Name</b>	<b>Designation in RMAC</b>	<b>Directorship</b>
		Iskandar Abdullah @ Sim Kia Miang	Chairman	Independent Non-Executive Director
		Dato' Paduka Haji Ismail Bin Haji Shafie	Member	Senior Independent Non-Executive Director
		Kek Jenny	Member	Independent Non-Executive Director
		Alfian Bin Mohamed Basir	Member	Independent Non-Executive Director

## 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>In adopting this practice, the Chairman of RMAC is a fellow Institute of Chartered Accountants in England and Wales and two (2) out of three (3) RMAC members are member of MIA.</p> <p>All members of the RMAC are financially literate and have sufficient understanding of the Company's business.</p> <p>The RMAC members meet on a quarterly basis to review the integrity and reliability of the Group's financial statements prior to recommending them for the Board's approval. The Board deliberates on these financial statements before they are publicly released together with explanatory notes on the Group's quarterly and year-end performance.</p> <p>The RMAC, also through discussions with Senior Management, analyses the Group's income and expenditures against budget, quarter to quarter as well as year to date, and seeks explanations from management on financial performance as well as any major discrepancies from forecast budget, together with strategies to address them.</p> <p>The RMAC also received assurance from the CFO that the financial statements are prepared in full compliance with Malaysian accounting standards and disclosures as per MMLR and, give a true and fair view of the financial position of the Group.</p> <p>For the financial year under review, the performance and effectiveness of the RMAC has been evaluated by the NC and the Board is satisfied that the RMAC members had discharged their functions, duties and responsibilities in accordance with the TOR of RMAC.</p>

	<p>All RMAC members are aware of the need to continuously develop and increase their knowledge in the area of accounting and auditing standards, given the changes and development in this area from time to time. In line with this, the RMAC members have made continuous effort in keeping themselves abreast of relevant developments by attending trainings or briefing update by external auditors during RMAC meetings.</p>	
<p><b>Explanation for departure</b></p>	<p>:</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>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

## Intended Outcome

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

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

## Practice 9.1

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>Recognising the importance of risk management, the Board had formalised a structured Enterprise Risk Management framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group.</p> <p>In line with the MCCG 2017 and the MMLR, the Board has outsourced its internal audit function to an independent professional firm which reports directly to the RMAC. The scope of work covered by the internal audit function during the financial year under review is provided in the Directors' Statement on Risk Management and Internal Control of the Company.</p> <p>Processes are put in place to ensure that the full risk management assessment includes a comprehensive risk management framework that identifies and locates specific risks within a risk matrix. The matrix provides a framework which will prioritise the potential impact of each risk to the operations of specific Divisions and the Group in generally, and set out strategies which the Group can implement to manage each of the risk identified.</p> <p>Risk identification and mitigation strategies are developed by the Group's external risk consultants in consultation with Senior Management. These are in turn provided by the external consultations to the RMAC for their review, analysis and approval.</p> <p>For further information, please refer to Statement on Risk Management and Internal Control of the Company in page 46 to 51 of the Company's Annual Report 2018.</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

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>The Board of Directors is committed to nurture and maintain a sound risk management framework and systems of internal control throughout its group of companies.</p> <p>Through the RMAC, the Board oversees the risk management matters of the Group, which include identifying, managing and monitoring, treating and mitigating significant risks across the Group. RMAC also assist the Board to fulfil its responsibilities with regard to the risk governance and risk management in order to manage the overall risk exposure of the Group.</p> <p>The RMAC reviews and recommends for the Board's consideration and approval, the risk management principles, frameworks and policies for managing risks within the Group. The RMAC also monitors and assess the risk appetite and risk tolerance of the Group, so as to safeguard the shareholders' investment and the Group's assets.</p> <p>The Board's Statement on Risk Management and Internal Control in the Annual Report 2018 features the Group's risk management framework and its state of internal control.</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

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>	:	Adopted															
<b>Explanation on adoption of the practice</b>	:	<p>The Company had established RMAC by combining Risk Management Committee and Audit Committee.</p> <p>TOR of RMAC 2.1 states that the RMAC shall be appointed by the Board from amongst their number and shall be composed of no fewer than three (3) members with a majority of them being Independent Directors.</p> <p>The RMAC comprised all Independent Non-Executive Directors as follows, overseeing and reviewing the risk management of the Group:</p> <table border="1"><thead><tr><th>Name</th><th>Designation in RMAC</th><th>Directorship</th></tr></thead><tbody><tr><td>Iskandar Abdullah @ Sim Kia Miang</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr><tr><td>Dato' Paduka Haji Ismail Bin Haji Shafie</td><td>Member</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>Kek Jenny</td><td>Member</td><td>Independent Non-Executive Director</td></tr><tr><td>Alfian Bin Mohamed Basir</td><td>Member</td><td>Independent Non-Executive Director</td></tr></tbody></table>	Name	Designation in RMAC	Directorship	Iskandar Abdullah @ Sim Kia Miang	Chairman	Independent Non-Executive Director	Dato' Paduka Haji Ismail Bin Haji Shafie	Member	Senior Independent Non-Executive Director	Kek Jenny	Member	Independent Non-Executive Director	Alfian Bin Mohamed Basir	Member	Independent Non-Executive Director
Name	Designation in RMAC	Directorship															
Iskandar Abdullah @ Sim Kia Miang	Chairman	Independent Non-Executive Director															
Dato' Paduka Haji Ismail Bin Haji Shafie	Member	Senior Independent Non-Executive Director															
Kek Jenny	Member	Independent Non-Executive Director															
Alfian Bin Mohamed Basir	Member	Independent Non-Executive Director															

## 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>	:	<p>Eupe has outsourced its internal audit function to an independent professional firm which reports directly to the RMAC.</p> <p>The Internal Audit function undertakes an independent assessment on the internal control system of the Group on a quarterly basis and provided assurance to the RMAC that no material issue or major deficiency has been noted which would pose a high risk to the overall system of internal control under review.</p> <p>To ensure that the responsibilities of Internal Auditors are fully discharged, the RMAC reviews:</p> <ol style="list-style-type: none"><li>i. The adequacy of the scope, functions, competency, experience and resources of the internal audit function and that it has the necessary authority and resources to carry out its work;</li><li>ii. The internal audit programme and processes, results of the internal audit programme and processes, investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;</li><li>iii. The adequacy and effectiveness of the internal control system and the efficiency of the Group's operations and efforts taken to reduce the Group's financial, operational, controls and compliance risks;</li><li>iv. Major audit findings, reservations or material weaknesses and the Management's response and actions undertaken to resolve the audit issues reported during the year and other activities as authorised by the Board;</li><li>v. Recommend appointment or re-appointment of the internal auditors; and</li><li>vi. Review the annual performance assessment of internal auditors.</li></ol> <p>For further details, please refer to Risk Management and Audit Committee Report in page 52 to 56 of the Annual Report 2018.</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

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>	:	<p>The Internal Audit function of Eupe Group is out-sourced to Bridge Corporate Advisory Sdn Bhd (“Bridge Advisory”), an independent professional services provider according to International Standards for the Professional Practice of Internal Auditing. Bridge Advisory is headed by Mr. Tam Kok Meng who reports to the RMAC. He is a Chartered Member of The Institute of Internal Auditors Malaysia, and member of Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. He is supported by a team of qualified and experienced internal audit professionals.</p> <p>The Internal Auditor, via the annual declaration, confirmed that they are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>In accordance with the TOR of the RMAC, the RMAC had conducted an annual assessment of the performance of the IA function. The RMAC was satisfied with the competency, experience and resources of the IA function for discharging its role and responsibilities.</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>	:	<p>The Company maintains an open communications policy with its shareholders and stakeholders, and welcomes feedback from them. Whenever deemed appropriate, the Board or the relevant management personnel will respond to their queries or opinions.</p> <p>During the financial year, the Company communicated with its stakeholders through the followings:</p> <ul style="list-style-type: none"><li>• Shareholders were invited to raise questions at the 21<sup>st</sup> AGM held on 27 July 2017, and no questions were raised by shareholders.</li><li>• Published the summary of the key matters discussed at the AGM on the Company's website for the benefit of shareholders who were unable to attend the meeting.</li></ul> <p>Investors and members of the public who wish to assess or seek clarifications on corporate and financial information such as the quarterly announcement of the Group's financial results, announcements and disclosures made pursuant to the disclosure requirements of MMLR and other corporate information and events related to the Group can also contact the Company through the followings:</p> <p>Phone: +604 441 4888 (Sungai Petani, Kedah); +603 7610 0636 (Kota Damansara, Selangor)</p> <p>Fax: +604 441 4548 (Sungai Petani, Kedah) +603 7610 0651 (Kota Damansara, Selangor)</p> <p>Email: enquiry@eupe.com.my Website: www.eupe.com.my</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 11.2

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>	:	<p>At present, the Board is of the view that the Company's annual report is comprehensive enough for stakeholders to make an informed decision.</p> <p>The current annual report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information. Information such as future prospect, Management Discussion and Analysis, Review of Operations, Sustainability Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control form an integral part of the non-financial information</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>	:	The Company will continuously evaluate the sufficiency of the financial and non-financial information made available to the stakeholders to make informed decision.
<b>Timeframe</b>	:	Others

**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>Eupe dispatches the notice of 21<sup>st</sup> Annual General Meeting (“AGM”) to shareholders at least twenty eight (28) days before the date of the meeting, well in advance of the 21-day requirement under the CA 2016 and MMLR. The additional time given to the shareholders allows them to make the necessary arrangements to attend and participate in person or through corporate representative, proxies or attorneys. More importantly, it enables the shareholders sufficient time to go through the annual report and information supporting the resolutions proposed.</p> <p>The Notes to the Notice of the 21<sup>st</sup> AGM had provided detailed explanations for each resolution proposed such as re-election/retirement of directors and directors’ remuneration to enable shareholders to make informed decisions in exercising their voting rights.</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>All the directors attended the 21<sup>st</sup> AGM of the Company held on 27 July 2017.</p> <p>The proceeding of the 21<sup>st</sup> AGM included the GMD's speech on the performance of the Group for the financial year ended 28 February 2017 and updated the shareholders on current and future prospects of the Group, presentation of the CFO on the Group's 5-Years Financial Performance Highlights and the Group's 3-Years Revenue and Profit Before Tax performance – by segmental and also the Financial Position, the presentation of the external auditors' unqualified report to the shareholders, and a Question &amp; Answers session during which the Chairman invited shareholders to ask questions regarding the resolutions being proposed before putting a resolution to vote as well as matters relating to the Company's operations in general.</p> <p>The Chairman and Chairman of the Board Committees were fully aware of their respective scope of responsibilities and all issues and questions raised by shareholders during the AGM were clarified and explained.</p> <p>The Senior Management, Company Secretary and external auditors were also in attendance to respond to the shareholders' queries, if required.</p> <p>All the resolutions set out in the Notice of the 21<sup>st</sup> AGM held on 27 July 2017 were put to vote by poll and were duly passed. The outcome of the AGM was announced to Bursa Securities on the same day.</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>Eupe is not categorised as a listed company with a large number of shareholders or which have meetings in remote locations.</p> <p>Eupe held its 21<sup>st</sup> AGM at Cinta Sayang Golf and Country Resort, Sungai Petani, Kedah as the registered office of the Company is in Sungai Petani, Kedah. The Company believes that it is appropriate to hold the AGM in Sungai Petani where the majority shareholders in Kedah could attend and vote.</p> <p>The Company always encourages the shareholders outside of Kedah area to appoint a proxy who could attend and vote on behalf of the shareholder at a general meeting.</p> <p>The Company adopted poll voting at its 21<sup>st</sup> AGM for all resolutions proposed, where the votes were cast by way of voting slips.</p> <p>The Company has not adopted any technology to facilitate the voting in absentia and remote shareholders' participation at its 21<sup>st</sup> AGM as such facilities are not readily available in the market place yet.</p> <p>The Company will consider to adopt such facilities to facilitate voting in absentia and remote shareholders' participation in future general meetings once such facilities are readily available at reasonable cost.</p> <p>Alternative Practice:</p> <p>Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his/her stead at the AGM.</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>	:	The Company intends to maintain the current practice.
<b>Timeframe</b>	:	Others

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

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

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