

CORPORATE GOVERNANCE REPORT

STOCK CODE : 4456
COMPANY NAME : DAGANG NEXCHANGE BERHAD
FINANCIAL YEAR : December 31, 2019

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 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.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

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

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The board is responsible for oversight and overall stewardship of the Group ensuring the achievement of stakeholder interests. To ensure the effective discharge of its functions and responsibilities, the board has established a Discretionary Authority Limits ("DAL") for the Group where specific functions are delegated to the relevant management. In this regard, the management is guided by the approved limits of authority as set out in the DAL in carrying out its duties.</p> <p>In order to ensure effective discharge of the board's functions, the board will assume the following six (6) principal responsibilities:-</p> <ul style="list-style-type: none">• reviewing, adopting and monitoring the implementation of a strategic plan for the Company and its subsidiaries ("Group");• overseeing the conduct of the Group's business and to evaluate whether the business is properly managed. In this respect the board must ensure that there are objectives in place against which the management's performance can be measured;• identifying principal risks and ensuring the implementation of appropriate controls and systems to monitor and manage these risks;• ensures succession planning including appointing, training, fixing the remuneration and where appropriate, replacing senior management;• overseeing the development and implementation of a shareholders' communication policy for the Company to ensure effective communication with its shareholders and other stakeholders; and• reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for ensuring compliance with applicable law, regulations, rules, directives and guidelines.

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

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The board practices a clear division of roles and responsibilities between the Chairman, Executive Deputy Chairman, Executive Directors and Non-Executive Directors.</p> <p>The Chairman leads the board and is responsible to ensure the effective and smooth interaction of the overall board and individual Directors, both within and outside the boardroom as well as driving the discussion toward consensus and to achieve closure in every discussion.</p> <p>The Executive Deputy Chairman's role is to assist the Chairman in carrying out his responsibilities whilst the Executive Directors have overall responsibility over the business units and management of the Group, Company, organisational effectiveness and implementation of board policies, strategies and decisions.</p> <p>Non-Executive Directors play a key supporting role, contributing their skills, expertise and knowledge towards the formulation of the Group's strategic and corporate objectives, policies and decisions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	: Applied
Explanation on application of the practice	<p>There must be clear division of the roles and responsibilities of the Chairman of the board, the Executive Director ("ED") / Chief Executive Officer ("CEO") to ensure that there is a balance of power and authority. The Chairman of the board is responsible for ensuring the board's effectiveness and conduct as described below whilst the ED/CEO has overall responsibility over the business units and day-to-day management of the Company, organisational effectiveness and implementation of board policies, strategies and decisions. The position of Chairman and ED/CEO shall be held by different individuals, and the Chairman must be a non-executive member of the board.</p> <p>In respect of running the board, the Chairman is responsible for the following:-</p> <ul style="list-style-type: none">• provides leadership and stewardship to the board by helping the board to fulfil the goals;• the balance of membership, subject to board and shareholders' approval;• ensures adequate lead-time for effective study and discussion of business under consideration and that the board resolution is put to a vote to ensure that it is the will of the majority and not that of the dominant owner that prevails.• ensuring that all Directors are enabled and encouraged to play their full part in the board's activities. This includes ensuring that the Directors, especially the Non-Executive Directors receive timely, relevant information tailored to their needs and they are properly briefed on issues arising at board meetings; and ensuring that the Executive Director looks beyond his executive function and accepts his full share of responsibilities of governance. <p>The responsibilities of the ED/CEO amongst others, are as follows:-</p> <ul style="list-style-type: none">• to develop and implement corporate strategies for the Group;• to regularly review the heads of divisions and departments who are responsible for all functions contributing to the success of the Group;• to ensure the efficiency and effectiveness of the operation for the Group;

	<ul style="list-style-type: none"> • to assess business opportunities which are of potential benefit to the Group; and • to bring material and other relevant matters to the attention of the board in an accurate and timely manner. <p>The positions of Chairman of the board and Executive Director/CEO are held by different individuals, and the Chairman is a non-executive member of the board. Their roles have been clearly defined in the board charter to ensure accountability and division of responsibilities.</p>		
Explanation for departure :			
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Intended Outcome

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

Practice 1.4

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

Application	:	Applied	
Explanation on application of the practice	:	The company secretary is an associate member of the Malaysian Institute of Chartered Secretaries and Administrators who support the board by advising the board on matters relating to the constitution of the Company, facilitating compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and maintenance of statutory records.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.5

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company's practice is to circulate board papers and/or meeting materials to the board members at least three working days prior to the date of the meeting to facilitate the Directors to peruse the board papers and/or meeting materials and to review the issues to be deliberated at the board meeting.</p> <p>The minutes of the board meeting are circulated to all the Directors on a timely basis for them to review and confirmed at the next board meeting. Thereafter, the signed copies are kept in the minutes' book by the company secretary.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The board has in place a board charter which was formalised on 25 March 2014. The board charter serves as a reference and primary induction literature, providing board members and the management insight into the function of the board. The board charter contains specific guidance to the board members on, inter alia, the key values, principles and ethos of the Company, the board's principal responsibilities, composition of the board, Directors' qualification standards, matters reserved for the board, induction of newly appointed Directors and continuing education, annual performance evaluation and the division of roles between the board and the management.</p> <p>It shall be periodically reviewed and updated by the board as necessary to ensure it remains relevant and effective.</p> <p>The board charter is published on the Company's corporate website www.dnex.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a Code of Conduct ("Code") that contains policies and guidelines relating to the standards and ethics that all employees are expected to adhere to in the course of their work. It is designed to maintain discipline and order in the workplace among employees of all levels. It also sets out the circumstances in which such employees would be deemed to have breached the Code and the actions that can be taken against them if they do so. As employees and representatives of the Company, or any of its subsidiaries, they must practice honesty and integrity in fulfilling their duties and responsibilities, and comply with all applicable law and regulations.</p> <p>The board shall formalise and commit to ethical values through the maintenance of a code of conduct and ensure the implementation and ensure compliance with the code of conduct.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The board has established and adopted a whistleblowing policy to provide a mechanism for officers and employees of the Company to report instances of unethical behaviour, actual or suspected fraud or dishonesty or violation of the Company's code of conduct or ethics policy.</p> <p>The details of the whistleblowing policy is available for reference at the Company's website www.dnex.com.my.</p> <p>The whistleblowing policy is administered by the Group Human Resource Division and overseen by the Chairman of the Board Audit Committee.</p> <p>Employees and other interested parties are able to report their concerns related to matters covered by the Code to the dedicated whistleblowing email channel at whistle@dnex.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Throughout the financial year ended 31 December 2019, the Company has continued to comply with paragraph 15.02 of the MMLR of Bursa Securities whereby at least two directors or one-third of the board, whichever is higher, are Independent Directors.</p> <p>As of 31 December 2019, at least half of the board comprises independent directors i.e. six out of ten board members comprise of Independent Directors.</p> <p>The Independent Directors provide a check and balance in the functioning of the board and enhance its effectiveness. Their presence is essential in providing unbiased, objective and impartial opinion, advice and judgement to the board deliberations, mitigating risks of any possible conflict of interest or undue influence from interested parties. All Independent Directors act independently of management and are not involved in any other relationship with the Group that may impair their independent judgement and decision-making.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	As at the date of this statement, none of the Independent Directors of the Company has served the board for a cumulative term of nine years.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3- Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The members of the board are of diverse backgrounds, specialisations and experience which bring a wealth of expertise to the leadership of the Group. The board has the right mix of skills, experience and knowledge relevant to effectively direct and supervise the Company's business activities and ensure that the interests of all stakeholders are adequately protected. The profile of each Director is set out on pages 34 to 42 of the Annual Report.</p> <p>In respect of new board appointees, the Nomination and Remuneration Committee ("NRC") evaluates a potential board candidate based on established criteria which include:</p> <ul style="list-style-type: none"> (a) Education and experience that provides knowledge of business, financial, governmental or legal matters that are relevant to the Company's business or to its status as a publicly owned company; (b) An unblemished reputation for integrity; (c) A reputation for exercising good business judgment; and (d) Sufficient available time to be able to fulfil his or her responsibilities as a member of the Board and of any committees to which he or she may be appointed.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The board acknowledges the recommendation of the MCCG 2017 pertaining to the establishment of boardroom gender diversity policy. For large company, the board must comprise at least 30% women directors.</p> <p>On 1 August 2019, Dato' Rosnah Abd Majid was appointed to the board, which bring the percentage of women board members from 22.22% to 30%. While the board has yet to formalise its policies on gender diversity, the board is committed to provide fair and equal opportunities and nurturing diversity within the Company. The board, through its NRC will continue to take steps to ensure that suitable women candidates are sought and considered as part of the recruitment exercise. This will be done over time, taking into consideration the present size of the board, the merit and suitability of women candidates and the evolving challenges to the Company from time to time. The critical attributes of suitable board candidate include skills, knowledge, expertise and experience, professionalism, character, competence, commitment (including time commitment) and integrity that the candidate shall bring to the board.</p> <p>As at the date of this report, the women representation on the board is 20% following the resignation of Puan Norlila Hassan on 31 December 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	The board may appoint directors to fill a casual vacancy or as additional Directors after an evaluation process which is carried out by the NRC. All board appointments shall be approved by the board upon recommendation by the NRC. The board, through the NRC, has established a formal and transparent procedure in relation to the assessment of candidates for board appointments as well as assessing the effectiveness of the board as a whole, the committees of the board and the contributions of each individual Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Puan Norlila Hassan, an Independent Non-Executive Director was the Chairman of the NRC from 1 January 2019 until her resignation on 31 December 2019.</p> <p>On 21 January 2020, the Senior Independent Non-Executive Director of the Company, Haji Rosli Abdullah was elected as the Chairman of the NRC.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The board, through the NRC, conducts an annual assessment on its effectiveness as a whole, each individual Director and the board committees established by the board.</p> <p>The board is assessed in the areas of the board's roles and responsibilities, structure and composition, conduct, meeting process, interaction and communication with the management and other stakeholders, as well as the effectiveness of the Chairman.</p> <p>The board committees are assessed in terms of accountabilities and responsibilities and the success of the committees in achieving its objectives.</p> <p>The 2019 assessment was carried out in February 2020 through questionnaires sent to each individual director and encompasses an assessment of the performance of the board as a whole, the board committees and individual Directors (via self and peer assessment). The Chairman of the NRC oversees this process. The NRC reviewed the results, and shared the outcome of the assessment with the board.</p> <p>The board, through the NRC, also carries out an annual assessment of the independent directors with the aim of strengthening the role of independent directors to facilitate independent and objective decision making in the Company, free from undue influence and bias.</p> <p>The concept of independence adopted by the board is in tandem with the definition of an independent director in paragraph 1.01 of the MMLR of Bursa Securities. The key element for fulfilling the criteria is the appointment of an independent director who is not a member of management and who is free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the company. The board has also adopted the assessment criteria provided in the corporate governance guide issued by Bursa Securities.</p>

	Based on the recommendation of the NRC, the board is satisfied that our independent non-executive directors have continued to exercise independent judgement and acted in the best interests of the Company and the Company's stakeholders during the financial year.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	: Departure
Explanation on application of the practice	
Explanation for departure	<p>The Company has in place guidelines on remuneration framework for Non-Executive Directors.</p> <p>The NRC will recommend to the board for approval, the appropriate remuneration to be paid to Directors within any limitations imposed by shareholders.</p> <p>Non-Executive Directors are remunerated in the form of directors' fees and attendance allowance for each Board meeting that they attend. In addition to the above, Non-Executive Directors including the Non-Executive Chairman are entitled to medical and hospitalisation coverage.</p> <p>The directors' fees are fees payable in recognition of the services rendered by the Non-Executive Directors and shall be payable after the approval by shareholders.</p> <p>The mandate from shareholders would be sought at every annual general meeting for the payment of directors' fees on a quarterly basis.</p> <p>The Chairman of the board and the Chairman of the Audit Committee will be paid a level of fees appropriate to their respective office, subject to the approval of shareholders.</p> <p>Executive Directors will not receive fees but will be paid as employees of the Company in accordance with their contracts of employment with the Company.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The board has a Nomination and Remuneration Committee comprises wholly of Independent Non-Executive Directors to review and recommend matters relating to the remuneration of board and senior management.	
		The Nomination and Remuneration Committee has written Terms of Reference which deals with its authority and duties.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The details of remuneration for the Directors of DNeX (including their remuneration for services rendered on group basis) during the financial year ended 31 December 2019 are set out in the Annual Report on named basis.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Company had disclosed on a named basis the key senior management personnel's remuneration component in band of RM50,000 in the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is Haji Rosli Abdullah who is a Senior Independent Non-Executive Director. The Chairman of the board is Tan Sri Abd Rahman Mamat who is an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Currently, all the Audit Committee members are not former key audit partner.</p> <p>The Terms of Reference of the Audit Committee set out that all Audit Committee members including the Chairman should be persons of good social standing and possess relevant skills and good track record in the corporate or business field.</p> <p>On 27 February 2019, the Terms of Reference of the Audit Committee have been revised to include that no former key audit partner shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least two years.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	In carrying out its duties and responsibilities, the Audit Committee is vested with the following authority:- (i) Explicit authority to investigate any matter within its Terms of Reference. (ii) Equipped with resources required to perform its duties. (iii) Have full, free and unrestricted access to any information, records, personnel and properties of the Company and any other companies in the Group. (iv) Have direct communication channels with the external auditors and persons carrying out the internal audit function or activity. Head of Internal Audit should report directly to the Audit Committee. (v) Obtain external professional advice and secure the attendance of outside parties with relevant experience and expertise, if deemed necessary. (vi) Convene meetings with external auditors, internal auditors or both without the presence of the management, whenever deemed necessary.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman and members of the Audit Committee are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.</p> <p>Details of the trainings attended by the members of the Audit Committee during the financial year 2019 are set out on pages 65 and 66 of the Annual Report.</p> <p>The board is responsible for the quality and completeness of publicly disclosed financial reports. This ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, its position and its future prospects, through the issuance of annual audited financial statements and quarterly financial reports and corporate announcements on significant developments affecting the Company in accordance with the MMLR of Bursa Securities.</p> <p>The board is committed to continuously provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects. In order to fulfill the commitments to stakeholders, the Company ensures that the recording and reporting of financial and business information is as fair and accurate as determinable.</p> <p>During the financial year, all the Directors of the Company had attended various training programs.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	The board acknowledges its responsibility for maintaining a sound system of internal control which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations and to safeguard shareholders' investment and its assets and interests in compliance with the relevant law and regulations as well as the Group's internal financial administration procedures and guidelines. The Statement on Risk Management and Internal Control furnished on pages 70 to 73 of the Annual Report provides an overview on the state of internal controls and level of risks and the effectiveness of risks mitigation plans within the DNeX Group.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The board recognises that risk is an inherent part of the Group's business, presenting both threats and opportunities. In order to achieve corporate goals and meet shareholders' expectations, the board would have to make decisions which will involve some degree of risk. The Group has established an Enterprise Risk Management Framework that is applicable across the Group to facilitate a structured framework approach to risk management to achieve a level of adequate and standard reporting on strategic, financial and operational aspects within the Group.</p> <p>The board delegates to the Management the responsibility to effectively identify, evaluate, manage and monitor risks on quarterly basis and review the effectiveness of the Group's internal control systems, taking appropriate and timely corrective actions as required.</p> <p>The Group has in place a transparent and effective risk governance structure that promotes active involvement of the Board, Audit Committee, the Management team and various lines of defence. This places a uniformed ownership, segregation of duties and accountability of risk management across the Group. The board and Executive Deputy Chairman oversees and review the strategic level risk management whilst Chief Financial Officer ("CFO") and the respective lines of defence are accountable for the conduct of the Group's business and execute measures and controls to ensure that risks are managed effectively. A Risk Management unit within the Group Finance division is established to maintain a risk register of the Group. The unit on quarterly basis identifies, review and maintain all risk movement and update the risk report for deliberation to Audit Committee. Where representation and input from subsidiary companies are required, management members of subsidiary companies will be invited to attend the quarterly Board and Audit Committee meeting.</p> <p>At the Group level, inherent risk factors arising from business operations are continuously identified. These identified risk factors are incorporated into the risk register and individually rated as Catastrophic, Major, Moderate, Minor and Insignificant. The rating process is guided by a matrix of likelihood of occurrence and the</p>

	<p>associated risk impacts, of which both financial and non-financial consequences are duly considered according to the Group's risk appetite. Key features of the Group's risk appetite cover strategic, operational, regulatory, financial, technological and reputational risks.</p> <p>The approach guides the Management team and CFO on balancing opportunities and risk management amongst others on assessment of investment proposals, asset management risk, working capital and project risk exposures of the Group. Thereafter, risk owners will initiate the treatment plans and measures towards achieving a residual risk that is within the acceptable tolerance and implemented aligned to the Board's approval.</p> <p>The Board acknowledges that the internal control systems are embedded within the Group's operating activities and exist for fundamental business environments. Various set of standards, structures and processes have been established by the Board and implemented to carry out effective internal control systems across the Group.</p>	
<p>Explanation for departure</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>Measure</p>	<p>:</p>	
<p>Timeframe</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 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	The Audit Committee assumes the role in overseeing the risk management function together with the management.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The board recognises the importance of risk management and is committed in maintaining a sound system of risk management and internal control in conduct of its business operations. The internal audit function has been outsourced to Baker Tilly Monteiro Heng Governance Sdn Bhd (“BakerTilly”) since March 2014.</p> <p>Baker Tilly reports directly to the Audit Committee and assists the Audit Committee in discharging its duties and responsibilities. Further details of the activities of the internal audit function are set out on page 76 of the Annual Report.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has outsourced its internal audit function to an independent professional consultancy firm. The internal audit function is carried out by Baker Tilly Monteiro Heng Governance Sdn Bhd (“Baker Tilly”) since March 2014. It is headed and led by Mr. Kuan Yew Choong, who is a member of the Association of Chartered Certified Accountants (UK), the Institute of Internal Auditors, Malaysia and also, the Malaysian Institute of Accountants. There were a total of three (3) internal auditors, including the Head of the internal audit function, who were deployed by Baker Tilly for the internal audit works performed for DNeX Group during the financial year ended 31 December 2019. All the personnel deployed by Baker Tilly are free from any relationships or conflicts of interest in DNeX Group, which could impair their objectivity and independence during the course of their work.</p> <p>Baker Tilly reports directly to the Audit Committee and assists the Audit Committee in discharging its duties and responsibilities.</p> <p>The internal audit function is carried out by Baker Tilly based on the annual audit plan that is reviewed and approved by the Audit Committee. The audit plan includes review of the adequacy of operational controls, risk management and compliance with established policies, procedures, applicable law and regulations and management efficiency. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it is adequately resourced with competent and proficient internal auditors.</p> <p>Baker Tilly undertakes the internal audit activities based on Baker Tilly audit methodology which is closely consistent with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.</p> <p>A summary of the work of the internal audit function for the financial year ended 31 December 2019 is as follows:</p>

	<ul style="list-style-type: none"> (i) Prepared the Internal Audit Plan for approval of the Audit Committee. (ii) Issued Internal Audit Reports to the Audit Committee and Management, identifying weaknesses and issues as well as highlighting recommendations for improvement. Such recommendations were acted upon by Management within agreed timelines. (iii) Attended all Audit Committee meetings to table and discuss the audit reports and followed up on matters raised. (iv) Acted on suggestions made by the Audit Committee on concerns over operations or control. (v) Followed up on management corrective actions on audit issues raised during their course of audit. Determined whether corrective actions taken had generally achieved the desired results.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	The board acknowledges the need for the Company's shareholders and investors to be informed of all material business and corporate developments concerning the Group in a timely manner. In accordance with the Group's Media and Investor Relations Policy, the Company publishes all material information as required by the regulators via the Bursa LINK as well as other publications such as the Annual Report, quarterly financial reports and media releases. The Company's Investor Relations is discussed in a dedicated segment of the Annual Report on page 77.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	As the integrated reporting is still new in the current market, the Company will consider to adopt an integrated reporting as soon as possible.	
		The Company will adopt an integrated reporting which includes a globally recognised framework.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company has been practising sending notice of annual general meeting (“AGM Notice”) to shareholders more than 28 days prior to the meeting. However, due to the movement control order, the Company is unable to include the AGM Notice together with the annual report. The Company will strive to issue the AGM Notice at least 28 days prior to the meeting but not less than 21 days.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	Eight out of nine board members attended the last 49 th Annual General Meeting (“49 th AGM”) held on 19 June 2019. One board member was not able to join the 49 ^h AGM as he must undergo a medical procedure. The board encourages shareholders’ participation during question and answer sessions at general meetings and provides sufficient opportunity for shareholders to communicate their concerns. The external auditors are invited to the meeting to provide their professional and independent view to shareholders, if required.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	All the general meetings of the Company are held at location in the city area and/or places accessible via public transport.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**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.

- Not applicable -

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