

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5104
COMPANY NAME : CNI Holdings 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 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.

Application	: Applied
Explanation on application of the practice	<p>The Board assumes overall responsibility in leading the strategic direction, future expansion, corporate governance, risk management, human resource planning and development, investments made by the Company and overseeing the proper conduct of business of the Group.</p> <p>The Board is committed in inculcating a culture of honesty and accountability. In discharging its duties, the Board delegates certain of its responsibilities to the Board Committees which operate within defined Terms of Reference (TOR). The Chairman of the respective Board Committees report to the Board on key matters deliberated at the respective Board Committee meetings and makes recommendations to the Board for final decision, where necessary. The Board Committees include the Audit Committee, Nomination and Remuneration Committee, and Risk Management Committee</p> <p>Key matters reserved for the Board's approval include the annual business plan and budget, the acquisition or disposal and transactions exceeding the authority limits, change to the CEO and Senior Management, changes in the key policies, procedures and delegated authority limits of the Group.</p> <p>The Board approves the Group's annual financial budget and meets quarterly to review the attainment of corporate objectives and the performance of each of the business segments, substantiated with financial and operational information and/or reports prepared by the Management.</p> <p>The Board Charter and TOR of the respective Board Committees sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. The Board is involved in establishing overall business objectives, review and approve strategies and plans to pursue business objectives and</p>

	<p>monitor their progress.</p> <p>The Board promotes the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating the Group's commitment to the economic, environment and social appears in the Sustainability Statement of this Annual Report.</p> <p>The Board has conducted a review on the Board Charter and TOR of the Board Committees in February 2018 guided by the new Malaysian Code on Corporate Governance (MCCG) and Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR).</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

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>Dato' Koh Peng Chor is the Chairman of the Company. He provides leadership so that the Board can perform its responsibilities effectively.</p> <p>As provided under the Company's Board Charter, the Chairman is responsible for, among others:</p> <ul style="list-style-type: none">a) Managing Board meetings to ensure robust decision making;b) Building a high performance Board;c) Managing Board and/or Management interface by acting as the conduit between Management and the Board; andd) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole. <p>The Chairman together with the Company Secretary sets the agenda of each Board Meeting. He ensures that Directors receives Board papers in a timely manner and that Directors are properly briefed on issues arising in Board meetings. During Board Meetings, the Chairman leads the discussion, allowing sufficient time for deliberations on key issues. He also encourages active participation and allows views including dissent to be freely expressed.</p> <p>The Chairman plays a key role in the conduct of the General Meetings. Besides ensuring the proper flow of resolutions tabled at the meeting, he manages the communication on the floor. He further encourages active participation from shareholders and allows sufficient amount of time during the questions and answer session.</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	:		
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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 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The roles of the Chairman and the Group CEO are separate and clearly defined, and are held by two distinct individuals. Dato' Koh Peng Chor is the Non-Independent Non-Executive Chairman of the Board whereas Mr. Koh How Loon is the Group CEO of CNI.</p> <p>The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Group CEO has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions. The separation of power seeks to facilitate an appropriate balance of power to prevent any single individual from dominating deliberations and the decision-making process.</p> <p>The respective duties and responsibilities of the Chairman and the Group CEO are contained in the Board Charter.</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 1.4

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	:	<p>The Company Secretary of CNI is Ms. Chin Yoke Kwai. She is qualified to hold the position under Section 235 of the Companies Act 2016. She has 17 years of experience and was appointed as the in-house Company Secretary of CNI on 6 October 2005.</p> <p>The Company Secretary plays an advisory role in supporting the Board to uphold high standards of corporate governance. As counsel to the Board, she provides the Board with periodic updates regarding regulatory developments and assists the Board interpreting and applying pertinent corporate governance. The Company Secretary also provides support in the facilitating the flow of information to the Board. The Company Secretary additionally serves as a liaison for stakeholders' communication and engagement on corporate governance issues. The role and responsibilities of the Company Secretary are set out in the Board Charter.</p> <p>The Company Secretary has a direct functional reporting line to the Group CEO and has been accorded with appropriate standing and authority to enable her to discharge her duties in an impartial and effective manner. The appointment or removal of the Company Secretary is the prerogative of the Board.</p> <p>In order to upskill herself and keep abreast with the latest developments in corporate governance realm, the Company Secretary has attended relevant training and professional development programmes during the financial year relating to Company Act 2016, Malaysian Code on Corporate Governance (MCCG) and MMLR.</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	:		
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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 1.5

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 Board recognises the importance of information supply in promoting informed Board discussions and deliberations. The Chairman together with Management and Company Secretary, are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings.</p> <p>The Board meets regularly during the year, with the annual meeting schedule tentatively fixed in advance to facilitate Directors' planning. There is a formal schedule of matters (including quarterly financial results and the annual results planning) reserved for discussion at the scheduled Board meetings.</p> <p>The notice of the Board meetings is circulated to Board members at least 7 days before the meeting and the agenda and Board papers are circulated to Directors five days before each meeting.</p> <p>The Directors are supplied with Board papers with necessary information that are accurate, clear and comprehensive to enable informed decision making at the Board meetings. In addition, Board members can seek further advice or clarification from Management when required.</p> <p>The deliberations and conclusions of issues discussed in the Board meetings are duly recorded in the Board minutes, the draft of which is circulated for the Chairman's review within a reasonable timeframe after the meeting. The meeting minutes capture the decision made, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views.</p> <p>The decisions made at the Board meetings are also communicated to Management in a timely manner to ensure appropriate execution.</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

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 is guided by its Board Charter which sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter is reviewed periodically and updated in accordance with the needs of the Group to ensure its effectiveness and consistency with the Board's objectives. The Board Charter serves as a primary reference point on governance matters for Directors as well as an induction literature for newly-appointed Directors.</p> <p>The Board Charter address, among others, the following matters:</p> <ul style="list-style-type: none">• Board structure and composition• Authorities of the Board• Roles and responsibilities of the Board, Chairman, Directors and Management• Matters reserved for the Board• Board Meetings• Board Committees• Company Secretary• Stakeholders' Communication• General Meeting <p>The Board Charter is made available on the Company's website at www.cniholdings.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	:		
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Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has put in place the 'CNI Values and Ethical Workplace Behavior' which subject employees to a set of values and standards of conduct that is expected of them.</p> <p>The 'CNI Values and Ethical Workplace Behavior' serves as a formal commitment by employees to conduct themselves professionally at all times and to do business in a transparent, appropriate and fair manner. The 'CNI Values and Ethical Workplace Behavior' is available on the Company's website at www.cniholdings.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 3.2

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 adopted a Whistleblower Policy (“Policy”) that provides a mechanism and avenue for employees or any external party to report the serious concerns of improper conduct, including fraud, corruption, bribery or blackmail, criminal offences and any other action that could cause significant harm to the Group.</p> <p>The Group CEO shall have overall responsibility for the implementation of the Policy. The administration of the Policy is to be carried out by the Company Secretary. The Audit Committee shall perform the oversight function over the administration of the Policy.</p> <p>The Policy which states the appropriate communication and reporting channels to facilitate whistleblowing can also be accessed on the Company’s website at www.cniholdings.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	:	Departure															
Explanation on application of the practice	:																
Explanation for departure	:	<p>The current composition of the Board comprises of six (6) members, two (2) of which are Independent Directors as follows:</p> <ol style="list-style-type: none">1. Dr. Ch'ng Huck Khoon2. Lim Lean Eng <p>The Board complies with paragraph 15.02 of the MMLR which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are Independent Directors.</p> <p>The current Board composition is as follows:</p> <table border="1"><thead><tr><th>Designation</th><th>No. of Directors</th><th>%</th></tr></thead><tbody><tr><td>Executive Directors</td><td>2</td><td>33.3</td></tr><tr><td>Non-Independent Non-Executive Directors</td><td>2</td><td>33.3</td></tr><tr><td>Independent Non-Executive Directors</td><td>2</td><td>33.4</td></tr><tr><td>Total</td><td>6</td><td>100.00</td></tr></tbody></table> <p>The Board is mindful that the Board does not comprise at least half of Independent Directors.</p> <p>The Board believe that the existing Independent Directors can act as a vigilant gatekeepers and at the same time acting as a check and balance on the Group's management which ultimately aim to safeguard the assets of the Group and also protecting the interests of shareholders as a whole. Therefore, the lack of at least half of Independent Directors in the Board did not jeopardise independence of Board deliberations and all decision were made in the best interest of the Company.</p>	Designation	No. of Directors	%	Executive Directors	2	33.3	Non-Independent Non-Executive Directors	2	33.3	Independent Non-Executive Directors	2	33.4	Total	6	100.00
Designation	No. of Directors	%															
Executive Directors	2	33.3															
Non-Independent Non-Executive Directors	2	33.3															
Independent Non-Executive Directors	2	33.4															
Total	6	100.00															

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

Measure	:	The Board, through the Nomination and Remuneration Committee, is currently reviewing the selection of Independent Non-Executive Directors to be appointed to the Board.	
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	:	Applied - Two Tier Voting
Explanation on application of the practice	:	<p>At present, the 2 Independent Directors namely Mr. Lim Lean Eng and Dr. Ch'ng Huck Khoon have served the Board for more than 12 years and 9 years respectively.</p> <p>The Board recommends that shareholders' approval be sought at the forthcoming AGM for Mr. Lim Lean Eng through a "two-tier" voting process and Dr. Ch'ng Huck Khoon to continue to act as Independent Directors.</p> <p>Notwithstanding their extended tenure, the Board has determined and satisfied that Mr. Lim Lean Eng and Dr. Ch'ng Huck Khoon are able to carry out their duties in a fair, impartial and conscientious manner. The Board is of the opinion that they can continue to bring independent and objective judgment to Board. They challenge the Management in an effective and constructive manner, providing check and balance in Board proceedings. They actively participate in Board discussion and provided an independent voice on the Board.</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 4.3 - 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 Board acknowledges the important of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognise the benefits of diversity at leadership and employee level.</p> <p>The Nomination and Remuneration Committee (“NRC”) is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations.</p> <p>In making its recommendations to the Board, the NRC considers and assess the suitability of a new appointment based on objective criteria, including:</p> <ul style="list-style-type: none"> • Required skills, knowledge, expertise and experience; • Time commitment, character, professionalism and integrity; • Ability to work cohesively with other members of the Board; • Specialist knowledge or technical skills in line with the Group’s strategy; • Diversity in age, gender and experience/background; and • Number of directorships in companies outside the Group.
Explanation for departure	:	
<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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board acknowledges that the recommendation of the MCGG on the establishment of gender diversity policy. There is no plan by the Board to implement a gender diversity policy or targets, as the Board adheres to the practice of non-discrimination of any form, whether based on age, gender, ethnicity or religion throughout the Group. This includes the selection of Board members and senior management.</p> <p>In addition, the Group believes that it is of utmost importance that the Board comprises the best qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure the Board functions effectively and is able to discharge its duties in the best interests of the Company and shareholders.</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

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	:	<p>The Nomination and Remuneration Committee (“NRC”) is responsible for recommending suitable candidates for Directorships to the Board. In undertaking this responsibility, the NRC leverages on several sources and gain access to a wide pool of potential candidates. The responsibilities of the NRC in this regard are outlined in the Terms of Reference of NRC.</p> <p>In evaluating potential candidates, the NRC will assess directorship suitability based on objective criteria, including:</p> <ul style="list-style-type: none"> • Required skills, knowledge, expertise and experience; • Time commitment, character, professionalism and integrity; • Ability to work cohesively with other members of the Board; • Specialist knowledge or technical skills in line with the Group’s strategy; • Diversity in age, gender and experience/background; and • Number of directorships in companies outside the Group. <p>In searching for suitable candidates, the NRC may receive suggestions from existing Board Members, Management and major shareholders. The NRC is also open to referrals from external sources available, such as industry and professional associations.</p>
Explanation for departure	:	
<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

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>The Nomination and Remuneration Committee (“NRC”) is chaired by an Independent Director, Dr. Ch’ng Huck Khoon.</p> <p>The Board understands that an effective recruitment and evaluation process of Directors is the building block of a high-performing Board. The Board therefore believes that the Independent Director is the most suitable and qualified person to lead the conduct of the process in an objective manner.</p> <p>In addition, Dr. Ch’ng Huck Khoon acts as a sounding board for the Chairman and serves as an intermediary for the other Directors.</p> <p>The Terms of Reference of NRC is accessible for reference on the Company’s website at www.cniholdings.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

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 has entrusted the Nomination and Remuneration Committee (“NRC”) with the responsibility for carrying out an annual assessment on the effectiveness of the Board, Board Committees and individual Directors, including Independent Directors.</p> <p>The NRC, upon conclusion of the annual assessment exercise, was satisfied that the Board and Board Committee composition had fulfilled the criteria required, possess a right blend of knowledge, experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Directors which contributed to a healthy environment for constructive deliberation and robust decision-making process. Independent Directors were assessed to be objective in exercising their judgement.</p> <p>The annual assessment for the year 2019 was conducted internally, facilitated by the Company Secretary. The annual assessment was conducted using KPI review form that was administered by the Company Secretary which employ a self and NRC rating assessment model. The duly completed review form was collated and the results were analysed by NRC and recommended to the Board for improvement on the areas indentified in the review.</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 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	:	Applied
Explanation on application of the practice	:	<p>The Nomination and Remuneration Committee ("NRC") is principally responsible for setting the policy framework and making recommendations to the Board on remuneration packages and benefits extended to the Directors and Senior Management.</p> <p>The remuneration of the Executive Directors and Senior Management has been structured to attract and retain Directors and Senior Management of the right calibre to manage the Group effectively. The recommendation of remuneration for the Executive Directors and Senior Management is measured by amongst others, their direct accountability and responsibilities for the operational management, strategic direction and decision as well as performance of the individual and financial performance of the Group.</p> <p>In case of Non-Executive Directors, the remuneration comprises fees, meeting allowances and other benefits. The remunerations and benefits payable to the Non-Executive Directors would be tabled to the shareholders for approval at the forthcoming AGM.</p> <p>The NRC shall periodically review and assess the adequacy, effectiveness and continued relevance of the Remuneration Policies and Procedures.</p> <p>The Remuneration Policies and Procedures are available on the Company's website at www.cniholdings.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 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	:	Applied
Explanation on application of the practice	:	<p>The Nomination and Remuneration Committee ("NRC") comprises a majority of Independent Directors.</p> <p>The membership of the NRC is outlined below:</p> <ol style="list-style-type: none">1. Dr. Ch'ng Huck Khoo – Chairman (Independent Non-Executive Director)2. Lim Lean Eng (Independent Non-Executive Director)3. Dato' Koh Peng Chor (Non-Independent Non-Executive Director) <p>The Terms of Reference of NRC set out the roles and responsibilities of the NRC in relation to remuneration matters is available on the Company's website at www.cniholdings.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

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	:	<p>The Board aims to set remuneration at levels which are sufficient to attract and retain the Directors and Senior Management needed to run the Group successfully, taking into consideration their experience, knowledge, extent of responsibility and individual performance, including the performance of the Group and prevailing market and industry statistics.</p> <p>The remuneration of Non-Executive Directors is reviewed and recommended for approval by the shareholders at the AGM of the Company, as prescribed by the Company's Constitution and the Companies Act 2016.</p> <p>Details of the remuneration of each Director (both the Company and the Group) who served during the financial year ended 31 December 2019 is disclosed in the CG Overview Statement in the Annual Report 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

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 :	Not applicable - Step Up 7.3 adopted	
Explanation on application of the practice :		
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	:	Adopted																					
Explanation on adoption of the practice	:	<p>The Board has determined that the Senior Management comprising the CEO of the Company and its subsidiaries and who are primarily responsible for the business operations of the Group's core business.</p> <p>The detailed remuneration on a named basis of the Senior Management is set out in the table below:</p> <table border="1"><thead><tr><th>Name</th><th>Fees (RM)</th><th>Salaries (RM)</th><th>Bonuses (RM)</th><th>Retirement benefits (RM)</th><th>Benefits-in-kind (RM)</th><th>Total (RM)</th></tr></thead><tbody><tr><td>Koh How Loon</td><td>-</td><td>566,327</td><td>-</td><td>-</td><td>21,250</td><td>587,577</td></tr><tr><td>Chew Boon Swee</td><td>16,068</td><td>580,488</td><td>82,232</td><td>-</td><td>21,250</td><td>700,038</td></tr></tbody></table>	Name	Fees (RM)	Salaries (RM)	Bonuses (RM)	Retirement benefits (RM)	Benefits-in-kind (RM)	Total (RM)	Koh How Loon	-	566,327	-	-	21,250	587,577	Chew Boon Swee	16,068	580,488	82,232	-	21,250	700,038
Name	Fees (RM)	Salaries (RM)	Bonuses (RM)	Retirement benefits (RM)	Benefits-in-kind (RM)	Total (RM)																	
Koh How Loon	-	566,327	-	-	21,250	587,577																	
Chew Boon Swee	16,068	580,488	82,232	-	21,250	700,038																	

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	:	<p>The Audit Committee is chaired by an Independent Director, Mr. Lim Lean Eng. Meanwhile the Chairman of the Board is Dato' Koh Peng Chor.</p> <p>As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.</p> <p>The Chairman of the Audit Committee is a fellow member of the Association of Chartered Certified Accountants (ACCA). The possession of sound financial understanding and experience equips the Chairman of the Audit Committee with the ability to lead discussions and deliberations and ultimately be satisfied that the end result fairly reflects the understanding of the Audit.</p> <p>The duties and responsibilities of the Chairman of the Audit Committee are outlined in its Terms of Reference of the Audit Committee, which is available on the Company's website at www.cniholdings.com.my.</p>
Explanation for departure	:	
<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

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	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee comprise of three (3) members, all whom are Non-Executive Directors and with a majority being independent. At present, none of the Audit Committee members were former key audit partners of the Company's external auditors.</p> <p>As a measure to safeguard the independence and objectivity of the audit process, the Audit Committee has incorporated a policy stipulation that governs the appointment of a former key audit partner to the Audit Committee.</p> <p>The policy, which is codified in the Audit Committee's Terms of Reference, requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as an Audit Committee member.</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 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	:	<p>The Audit Committee is responsible for assessing the capabilities and independence of the external auditors and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditors.</p> <p>Under its Terms of Reference, the Audit Committee reviews the suitability, objectivity and independence of the external auditors of the Company on an annual basis. The review process covers the assessment of the independence of the external auditors, the evaluation of the external auditors' performance, quality of work, audit fees and the adequacy of resources.</p> <p>During the financial year, the Audit Committee met with the external auditors namely Moore Stephens Associates PLT (MSA), twice in the absence of the Management. The Audit Committee has also monitored and reviewed the performance and independence of MSA and is satisfied that the external auditors has been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the Committee.</p> <p>For the audit of the financial year ended 31 December 2019, the Audit Committee was further assured by MSA that its personnel were and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>Pursuant to the assessment on the suitability and independence of the external auditors, the Audit Committee made its recommendations to the Board on the re-appointment on the external auditors alongside the accompanying audit fees.</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

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	:	The Board, through the Nomination and Remuneration Committee ("NRC"), is currently reviewing the selection of Independent Non-Executive Directors to be appointed to the Board. The candidate once identified, will be considered as an additional member of the Audit Committee. The composition of the Audit Committee will be changed to comprise solely of Independent Directors.

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 Audit Committee comprises three (3) members as follows:</p> <ol style="list-style-type: none">1. Lim Lean Eng – Chairman (Independent Non-Executive Director)2. Dr. Ch'ng Huck Khoo (Independent Non-Executive Director)3. Dato' Koh Peng Chor (Non-Independent Non-Executive Director) <p>Collectively, the Audit Committee possesses a wide range of necessary skills to discharge its duties. All members of the Audit Committee are financially literate, whilst the Chairman of the Audit Committee is a fellow member of the ACCA and thus, fulfilling paragraph 15.09(1)(c) of MMLR, which calls for one member of the audit committee to be a member of a professional accountancy body.</p> <p>All members of the Audit Committee have undertaken continuous development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. In 2019, the Audit Committee members had attended a number of training courses. Details of their training can be seen on pages 30 to 31 of the Annual Report for 2019.</p> <p>During the Audit Committee meetings, the members were briefed by the external auditors, Moore Stephens Associates PLT on the following key areas:</p> <ul style="list-style-type: none">• Financial Reporting developments;• Adoption of Malaysian Financial Reporting Standards; and• Other changes in regulatory environment.
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 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established the necessary risk and internal control infrastructure encompassing the risk assessment, internal control measures and reporting function to instil the appropriate discipline to continuously improve risk management and internal control capabilities</p> <p>Details of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control, which is on pages 34 to 36 of the Company’s 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 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>Risk assessment, monitoring and review of the various risks faced by the Group are continuous processes within the key operating units, with the Risk Management Committee playing a pivotal oversight function as delegated by the Board of Directors.</p> <p>The Board has received assurance from the Group CEO and Senior Manager, Finance & Treasury that the Group's risk management and internal control system is operating adequately and effectively, in all materials aspects, during the financial year under review.</p> <p>Details of the features of risk management and internal control framework and the adequacy and effectiveness of the framework are contained in the Statement of Risk Management and Internal Control which is on pages 34 to 36 of the Company's Annual Report.</p>
Explanation for departure	:	
<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

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	:	Adopted
Explanation on adoption of the practice	:	<p>The Risk Management Committee ("RMC") comprises majority of Independent Non-Executive Directors to oversee the Company's risk management framework and policies. The members of the RMC is outlined below:</p> <ol style="list-style-type: none">1. Dr. Ch'ng Huck Khoon – Chairman (Independent Non-Executive Director)2. Lim Lean Eng (Independent Non-Executive Director)3. Koh How Loon (Group CEO) <p>The Board has adopted the Terms of Reference of the RMC which is available on the Company's website at www.cniholdings.com.my.</p>

Intended Outcome

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

Practice 10.1

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 internal audit function is carried out by the Internal Audit Department (“IAD”) of CNI which reports directly to the Audit Committee and has direct access to the Board through the Chairman of the Audit Committee and is independent of the activities it audits. IAD’s authority, scope and responsibilities are governed by an Internal Audit Charter which is approved by the Audit Committee.</p> <p>The Audit Committee reviews and subsequently approves the Annual Audit Plan and ensures IAD is accorded with appropriate standing, resources and authority to facilitate the discharge of their duties.</p> <p>Comprehensive audits of the practices, procedures, expenditure and internal controls of all business units and subsidiaries are undertaken on a regular basis. IAD provides assurance and recommendations to the Audit Committee on the Group’s risk management and internal control systems.</p> <p>The Audit Committee has access to the Head of IAD and is able to discuss significant internal audit matters in private, if required.</p>
Explanation for departure	:	
<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

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 Internal Audit Charter states that IAD personnel shall have impartial, unbiased attitude and avoid conflicts of interest in carrying out their duties. If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to the Audit Committee. The Head of IAD, along with other internal audit personnel are free from any family relationships with any Directors and/or major shareholder and do not have any conflict of interest with the Group.</p> <p>IAD adopts a risk-based methodology in planning and conducting audits by focusing on key risks areas and activities that are aligned with the Group’s strategic plans. Internal audit function is carried out according to the International Professional Practices Framework (IPPF) where applicable.</p> <p>The Audit Committee reviews and approves the IAD budget and human resource requirements to ensure that the function is adequately resourced.</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 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 :	<p>As stewards of the Company, Directors are accountable to shareholders as well as other stakeholders of the Company for the performance and operations of the Company. As such, the Board endeavours to ensure that communication with stakeholders is conducted in a regular and forthcoming manner.</p> <p>The Board aims to maintain a positive relationship with the different group of stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby, enabling investors to make informed decisions in valuing the Company's shares.</p> <p>The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through the Annual Report, announcements to Bursa Malaysia Securities Berhad, media releases, AGM, and the Group website.</p> <p>CNI is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. At the AGM, the Group CEO will provide a presentation of the Group's annual operating and financial performance, followed by a Questions and Answers session during which the Chairman encourages shareholders' active participation, including clarifying and questioning the Group's strategic direction, business operations, performance and proposed resolutions. Senior Management of the Group are also present to handle other face-to-face enquires from the shareholders.</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

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	:	The Board would like to allow an advocacy period for the awareness of integrated reporting to be better appreciated by Management personnel before it is adopted. At present, the Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions.	
		The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects. Components such as Management and Discussion Analysis, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control form an integral part of the non-financial information.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company will endeavour to be ready to adopt integrated reporting based on a globally recognised framework if it is made mandatory in the future.	
Timeframe	:	Others	A prescribed period when the requirement is made mandatory in Malaysia.

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	:	<p>The Board recognises the AGM as an invaluable platform for shareholders to engage both the Board and Senior Management in a productive dialogue and provide constructive feedback that contributes to the overall performance of the Group. The Board therefore endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the AGM and to facilitate informed decision-making by the shareholders.</p> <p>In this regard, the notice of the AGM is given to the shareholders, at least 28 days prior to the meeting. This goes above and beyond Section 316(2) of Companies Act 2016 and paragraph 7.15 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad which call for a 21-days' notice period for public companies or listed issuers respectively.</p> <p>The notice for AGM outlines the resolutions to be tabled during the said meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM.</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

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	:	<p>The Board acknowledges its responsibility to engage shareholders and provide meaningful responses to their questions. In demonstrating this commitment to shareholders, all Directors have attended the previous AGMs. This is aided by ensuring any general meeting is scheduled in advance to ensure full attendance of the Board.</p> <p>The Chairman of the Board encourages shareholders' active participation during AGMs and other general meetings by giving sufficient time to the floor during the questions and answers session.</p> <p>The Chairmen of the Board Committees of the Company are as follows:</p> <table border="1"> <thead> <tr> <th>Board Committees</th> <th>Chairman</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>Mr. Lim Lean Eng</td> </tr> <tr> <td>Nomination and Remuneration Committee</td> <td>Dr. Ch'ng Huck Khoon</td> </tr> <tr> <td>Risk Management Committee</td> <td>Dr. Ch'ng Huck Khoon</td> </tr> </tbody> </table> <p>The Chairmen of respective Committees were present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Committees.</p>	Board Committees	Chairman	Audit Committee	Mr. Lim Lean Eng	Nomination and Remuneration Committee	Dr. Ch'ng Huck Khoon	Risk Management Committee	Dr. Ch'ng Huck Khoon
Board Committees	Chairman									
Audit Committee	Mr. Lim Lean Eng									
Nomination and Remuneration Committee	Dr. Ch'ng Huck Khoon									
Risk Management Committee	Dr. Ch'ng Huck Khoon									
Explanation for departure	:									
<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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	General Meetings are currently convened in a specified venue in Shah Alam and resolutions put forth are voted by the members personally at the said venue. Electronic voting is adopted to ensure accurate recording of votes and all resolution will be put to vote by poll. Shareholders who are unable to participate at the general meetings could submit proxy form to appoint any persons as their proxies to attend, participate, speak and vote in their stead at the general meetings.
	:	The Company will continue to explore and identify a suitable and reliable system to facilitate voting in absentia and remote shareholders' participation at general meetings, considering all applicable requirements, necessary framework, processes and concerns.
<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
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA
MALAYSIA**

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

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