

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5095
COMPANY NAME : HEVEABOARD BERHAD
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors' ("the Board") overall governance responsibilities is to lead, control and oversee the performance of the Group and the Company and to promote good corporate governance ("CG") culture within the organisation towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value while taking into account the interest of other stakeholders.</p> <p>Overview of the Board's role and responsibilities</p> <p>The Board of HeveaBoard:-</p> <ul style="list-style-type: none"> i) Establishes strategic goals, determines strategic direction and significant policies; ii) Reviews, adopts and approves the Group's key operational initiatives, major investments, annual budget and funding decisions; iii) Ensures that the Group's capabilities and resources sufficient for achievement of strategic goals and objectives, and manage uncertainties; iv) Oversees and monitors the Group's performance and achievement of strategic goals and objectives; v) Ensures good corporate governance practice and incorporates it as the Group's culture; vi) Oversees the business conduct and code of ethics of the Group; vii) Oversees the system of risk management, internal control system and regulatory compliance; viii) Responsible for corporate sustainability; ix) Oversees succession plans within the Group; and x) Reports to, and communicates with shareholders and stakeholders.

Delegation to Board Committees

In discharging the Board's stewardship responsibilities, specific powers of the Board are entrusted and delegated to the following Board Committees to oversee the conduct of the Group's affair and to assist in the execution of the Board's duties and responsibilities:-

- i. Audit Committee
 - Assists the Board on overseeing the Group and Company's financial reporting, internal control and risk management system while ensuring checks and balances within the Group and the Company.
- ii. Nomination Committee
 - Assists the Board on recruitment exercise on Director appointment and election, and annual assessment of the effectiveness of Board Committees and the Board as a whole, and performance of individual Directors and Key Senior Management.
- iii. Remuneration Committee
 - Assists the Board on developing and implementing remuneration policy and procedures for Directors and Key Senior Management.
- iv. Tender Board Committee
 - Assists the Board on reviewing shortlisted tenders and proposals put forward by the Management.

Clear role and responsibilities

The Board is led by an Independent Non-Executive Chairman. During the financial year, Mr Sundra Moorthi A/L V.M. Krishnasamy was re-designated as an Independent Non-Executive Chairman and assumes the position of Board Chairman in place of the former Chairman, namely the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak who passed away on 3 September 2018.

The Group Managing Director, Mr Yoong Hau Chun assumes the primary responsibility for managing the Group's operations and resources. While the Executive Director and Management are responsible for the implementation of the operational and corporate decisions as well as day-to-day management of the business operation of the Group and the Company.

The Independent Non-Executive Directors play an important role in corporate accountability by providing unbiased and independent views, advice and judgement focusing on performance monitoring and enhancement of corporate governance in safeguarding the interest of the shareholders and stakeholders.

The Non-Independent Non-Executive Directors provide constructive challenge and contribution to the development of business strategy and provide checks and balances, focusing on stakeholders' interest and ensure high standards of corporate governance are applied.

Directors commitment and attendance at meetings

The Board meets at least once in every quarter with additional meetings to be convened as and when necessary. In addition to that, the Board members review and discuss ad hoc and urgent matters via electronic mail or through informal discussion and carry out their decision by way of circular resolution.

During the financial year, the Board held five (5) meetings, and two (2) meetings were held during the period from 1 January 2019 to the date of approving this CG Report on 26 March 2019. The Board and Board Committee members demonstrated a high level of commitment in discharging their duties. They had full meeting attendance and had actively participated in discussions on subject matters which required their review and consideration.

As guided by the Board Charter, none of the Directors holds directorships in more than five (5) public or public listed companies to ensure that Directors have sufficient time to focus and fulfill their duties effectively in the Company. Directors should notify the Chairman of the Board before accepting any new directorship, including an indication of time that will be spent on the new appointment. The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

The Directors' attendance at Board and Board Committee meetings are laid out below:

Director	No. of Meetings Attended/ No. of Meetings Held in 2018 (between 1/1/2018 and 31/12/2018)			
	Board meeting	AC meeting	NC meeting	RC meeting
Mr Sundra Moorthi A/L V.M. Krishnasamy ★	4/5	4/5	-	1/2
The late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak ♣	4/5	4/5	1/2	1/2
Mr Yoong Hau Chun ▲ (Alternate Director, Mr Yoong Tein Seng @ Yong Kian Seng)	5/5	-	-	1/2

Ms Yoong Li Yen	5/5	-	-	-
Dato' Loo Swee Chew♣ (Alternate Director, Mr Loo Chin Meng)	4/5	-	-	-
Mr Lim Kah Poon	5/5	5/5	2/2	2/2
Mr Bailey Policarpio •	5/5	1/5	2/2	1/2
Mr Yoong Yan Pin❖	4/5	4/5	1/2	-
Mr Thye Heng Ong @ Teh Heng Ong♥	4/5	-	-	-
Mr Loo Chin Meng▪	1/5	-	-	-
Director	No. of Meetings Attended/ No. of Meetings Held between 1/1//2019 and 26/3/2019			
	Board meeting	AC meeting	NC meeting	RC meeting
Mr Sundra Moorthi A/L V.M. Krishnasamy★	2/2	2/2	-	-
Mr Yoong Hau Chun▲ (Alternate Director, Mr Yoong Tein Seng @ Yong Kian Seng)	2/2	-	-	-
Ms Yoong Li Yen	2/2	-	-	-
Mr Lim Kah Poon	2/2	2/2	-	-
Mr Bailey Policarpio •	2/2	-	-	-
Mr Yoong Yan Pin❖	2/2	2/2	-	-
Mr Thye Heng Ong @ Teh Heng Ong♥	2/2	2/2	-	-
Mr Loo Chin Meng▪	2/2	-	-	-
Note:				
★ Appointed as Board and AC member w.e.f. 27 February 2018. There were 4 Board and AC meetings held after the date of the appointment until 31 December 2018. Appointed as RC Chairman w.e.f. 19 November 2018. There was 1 RC meeting held after the date of the appointment until 31 December 2018.				
♣ Demise on 3 September 2018. There were 4 Board and AC meetings, and 1 NC and RC meeting held during the period from 1 January 2018 before				

he passed away.

- Resigned as RC member w.e.f. 27 February 2018. There was 1 RC meeting held during the period from 1 January 2018 before his resignation.
- ♣ Resigned as Board member w.e.f. 19 November 2018. There were 4 Board meetings held during the period from 1 January 2018 before his resignation.
- Resigned as AC member and appointed as RC member w.e.f. 27 February 2018. There was 1 AC and RC meeting held during the period from 1 January 2018 before his resignation as AC member and appointment as RC member.
- ❖ Appointed as Board and AC member w.e.f. 27 February 2018. There were 4 Board and AC meetings held after the date of his appointment until 31 December 2018. Appointed as NC Chairman w.e.f. 19 November 2018. There was 1 NC meeting held after the date of his appointment until 31 December 2018.
- ♥ Appointed as Board member w.e.f. 27 February 2018. There were 4 Board meetings held after the date of his appointment until 31 December 2018.
- Appointed as Board member w.e.f. 19 November 2018. There was 1 Board meeting held after the date of his appointment until 31 December 2018.

Provided there is no conflict of interest and for purpose of efficient and effective discussion and reporting, the Senior Management and Directors who are not member of Audit Committee were also invited to the Audit Committee meetings except during private discussion between the Audit Committee members and the External Auditors.

Discharging of the Board's role and responsibilities

- 1) In ensuring the strategic goals and direction of the Group is aligned with the changing business environment, a constant review is conducted by the Board to ensure the Group is in the right path and the Group is always in the right direction in achieving the goals and objectives.

In this respect, the Board conducts a yearly review of the Business Plan of the Company and the Group as a whole, which includes performance forecast, production plan, costing and budget that is presented by the Management. The Board focuses its review and deliberation from the prospective of the Board and provides guidance and feedback to Management to ensure that the Business Plan is in line with the overall strategic goals and direction of the Group and to support long-term sustainability plan taking into consideration the current and future economic environment.

- 2) In overseeing the conduct and performance of the Group's business, the Board keeps itself in pace with the development of the Group and the Company through periodic reporting from the Group Managing Director, Board Committees, Executive Committees and Management. The Board discusses and makes decision at Board meetings. Other than that, electronic means such as electronic mail will also be used by the Board as a platform for Management's reporting and information sharing on urgent matters that require Board's decision.

	<p>Key matter reserved for the Board’s deliberation and approval include but limited to strategic plans and corporate plans proposed by Management, annual and quarterly financial results, dividend policy, major acquisitions and disposals, investments and new businesses, material agreements, major capital expenditures, budgets, corporate proposals, succession planning for top management and changes to management and control structure, including key policies, procedures, and authority limits.</p> <p>3) While ensuring sufficient resources are available, the Board reviews annually the performance of the Board, Board Committees, individual Directors and Key Senior Management through its Nomination Committee, whilst the effectiveness of management process, risk management and internal control are reviewed periodically through its Audit Committee to ensure that the Group remains efficient and capable of achieving its strategic goals and objectives.</p> <p>4) In ensuring good corporate governance culture and business conduct of code and ethics within the Group, the Board is always mindful to set a right tone at the top through the way it conducts itself.</p> <p>Following a detailed review of the Group and Company’s corporate governance (“CG”) practices conducted in 2017, the Board is pleased to report that for year 2018 the CG practices of the Group and Company are continue to be in line with most of the practices of the Malaysian Code on Corporate Governance (“MCCG”). While there are a few areas requiring higher CG standard and action plans to be put in place to further improve its CG practices, the Board would like to highlight that during the financial year, the following CG areas have been improved to in line with the MCCG:</p> <ul style="list-style-type: none"> • The Board and Board Committees’ composition have been restructured to further strengthen its independence and accountability with half of the Board members comprise of Independent Directors. • The Board Charter, Board Committees’ Terms of Reference and Code of Conduct have been revised to in line with the CG practices. These CG documents will be further reviewed so as to be consistent with the Company’s new Constitution which is to be proposed to the shareholders for approval at the Company’s forthcoming Annual General Meeting (“AGM”) to be held on 10 June 2019. • At the last AGM of the Company held on 30 May 2018, the Company applied Practice 4.2 of the MCCG to seek
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	<p>shareholders' approval on the retention of its Independent Non-Executive Directors who had served the Board for more than twelve (12) years through a Two-Tier Voting Process.</p> <ul style="list-style-type: none"> • The Company is working towards enhancing and upgrading the necessary information technology system and application to facilitate the issuance of documents required to be sent to shareholders via electronic means to ensure the effectiveness of information dissemination. • At the last AGM held on 30 May 2018, the Company conducted a "Live Voting" to ensure smooth meeting flow. Moving forward, an application of voting in absentia and remote shareholders' participation at general meeting and AGM will be considered to facilitate greater shareholders' participation at future general meetings and AGMs of the Company. <p>5) Through the Audit Committee ("AC"), the Board oversees and ensures a sound risk management and internal control framework are in place within the Group. During the financial year, the AC assisted the Board in overseeing financial reporting, assessing the risk and control environment, evaluating the internal and external audit process and reviewing conflict of interest situation and related party transactions within the Group, and reported the outcome of its review and made relevant recommendations to the Board. The composition, responsibilities and the summary of activities of the AC are outlined in the Annual Report under the section of Audit Committee Report.</p> <p>6) The Board has always been committed to the Group's sustainability in evolving global environment, social and governance (ESG) aspect of business which underpins sustainability. Over the years, the Group has been adopted various measures and good practices to promote sustainability. The details are disclosed in the Annual Report under the section of Sustainability Statement.</p> <p>7) The Board is responsible for ensuring effective and orderly succession planning is in place within the Group. Succession planning is an ongoing exercise and is important to ensure Board and Management's continuity. The Nomination Committee is entrusted with the responsibility for formulating selection policies for the Group's key management personnel and members of the Board and Board Committees. The identification, selection, assessment and appointment process is performed based on the current and future needs of the Group, the aspirations of the Group, the evolving business environment, the regulatory requirements, the Boardroom diversity and the existing Board's strengths and weaknesses.</p>
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	<p>During the financial year, following the demise of the former Chairman on 3 September 2018, the Board had on 19 November 2018, re-designated Mr Sundra Moorthi A/L V.M. Krishnasamy as the new Chairman of the Board and Remuneration Committee, Mr Yoong Yan Pin is appointed as a Chairman of Nomination Committee, and Mr Thye Heng Ong @ Teh Heng Ong is appointed as a Chairman of the Tender Board Committee, in place of the late former Chairman. Meanwhile, the Board appointed Mr Loo Chin Meng as the Board member and member of the Tender Board Committee in place of Dato' Loo Swee Chew who has resigned as a Director on 19 November 2018. Prior to this, Mr Loo Chin Meng was an alternate Director of Dato' Loo Swee Chew.</p> <p>8) Besides promoting business prosperity, corporate accountability and realising shareholders' value, the Board is committed to provide accurate, timely, consistent and credible public disclosure and dissemination of material and non-material information of the Group and the Company in accordance with the applicable laws and regulatory requirements to the investment community, media and other relevant stakeholders, to enable an informed and orderly decision by the investing public. The initiatives taken by the Board to ensure effective, transparent and regular communication with its stakeholders is further explained under Practice 11.1 of this CG 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

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 of Directors of HeveaBoard is led by an Independent Non-Executive Chairman. During the financial year, the Board has re-designated Mr Sundra Moorthi A/L V.M. Krishnasamy as an Independent Non-Executive Chairman on 19 November 2018 in place of the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak who passed away on 3 September 2018.</p> <p>The key responsibilities of the Chairman include:</p> <ol style="list-style-type: none">1) Providing leadership for the Board to ensure smooth functioning of the Board so that the Board can perform its responsibility effectively;2) Ensuring positive culture and good corporate governance practices are inculcated in the Board, Group and Company;3) Setting the Board agenda and ensuring timely and necessary information is provided to the Board members;4) Leading the Board meetings and acting as facilitator at Board meetings to ensure that no directors, whether executive or non-executive, dominate discussion, that appropriate discussion takes place and relevant opinion among directors is forthcoming;5) Facilitating effective and productive working relationships between Executive Directors and Non-Executive Directors and manage the interface between the Board and Management;6) Assisting with concerns regarding the Company where it could be inappropriate for these to be dealt with by the Group Managing Director;7) Leading and chair general meetings of shareholders and ensuring open communication between shareholders and the Board members; and8) Ensuring appropriate steps are taken to provide effective communication with shareholders and stakeholders and that their views are communicated to the Board as a whole. Shareholders

	and stakeholders can convey any concerns regarding the Company to the Chairman, Mr Sundra Moorthi A/L V.M. Krishnasamy.	
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>The Chairman of the Board, Mr Sundra Moorthi A/L V.M. Krishnasamy is an Independent Non-Executive Chairman, and the Group Managing Director is Mr Yoong Hau Chun.</p> <p>The Chairman is responsible for leading the Board in its duties, ensuring the Board's effectiveness as well as facilitating effective discussion of Board meetings, whilst the Group Managing Director has the overall responsibilities over the Group's overall operational, business and financial performance. He manages the Group in according with the strategy, plans and policies approved by the Board.</p> <p>The key roles of the Group Managing Director, amongst others, include the following:-</p> <ol style="list-style-type: none">1) Managing the Group and Company's operation and resources;2) Ensuring that Board decisions are implemented and Board directions are responded to;3) Providing directions in the implementation of short and long-term business plans;4) Providing strong leadership; i.e. effectively communicating the Group and Company's vision, management philosophy and business strategy to the employees;5) Keeping the Board fully informed of all important aspects of the Group and Company's operations and ensuring sufficient information is distributed to Board members; and6) Ensuring day-to-day business affairs of the Group and Company are effectively managed.
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

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 Secretaries of the Group are qualified to act as Company Secretary under section 235 of the Companies Act, 2016. The Company Secretary and her team continuously keep themselves abreast of the changing capital environment and regulatory as well as development in corporate governance through attendance at relevant professional development programme and conferences. During the financial year, the Company Secretary has continuously fulfilled the requirement of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and attended the Mandatory Continuing Professional Development Programme and obtained renewal of her Company Secretary Practicing Certificate.</p> <p>The Directors have full access to the professional advice and services of the Company Secretaries, who:</p> <ol style="list-style-type: none">1. play an advisory role to advise the Board on corporate disclosure, to ensure that the Board procedures, applicable governance practices, company laws, securities regulations and listing requirements are complied with, and assists the Board in applying the MCG Practices to meet the Board's needs and stakeholders' expectations;2. provide effective support to the Board and Board Committees to facilitate their discussion and proceedings of the Board and Board Committees meetings and ensures that deliberations are well documented in minutes;3. ensure proper processes and proceedings are in place at general meeting and annual general meeting and ensures that the proceedings in particular the questions raised by shareholders and the response of the Board and Management are correctly minuted;4. facilitate annual assessment and evaluation on the effectiveness of the Board as a whole, the Committees of the Board and the performance of individual Directors;5. facilitate the selection and recruitment process on appointment of

	<p>new Director by ensuring that the necessary information are properly compiled to ease the Nomination Committee and Board's review; and</p> <p>6. facilitate the orientation of new Directors and Director training and development.</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 1.5

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>To ensure the Board and Board Committees' meetings are respectively attended by all Directors and Board Committees' members, all meetings are scheduled in advance.</p> <p>The formal Notice of Board and Board Committees' meetings are sent to the Directors and Board Committees' members via electronic mail at least seven (7) days prior to a meeting. Where appropriate the same Notice is sent to invitees including Internal Auditors and External Auditors.</p> <p>In order to ensure effective and efficient Board and Board Committees' discussion and decision-making as well as smooth flow of meeting, the discussion papers of certain subject matters such as financial results, reports and proposals are circulated via electronic mail to the respective Board and Board Committees for their review and comment in advance of the meetings.</p> <p>Upon finalisation, the Company Secretary compiles the final meeting materials containing discussion papers and others in "book-format". With a view to encourage paperless environment, meeting materials are circulated to the respective Board and Board Committees via electronic mail at least five (5) days prior to the meeting. However, hard copy of meeting materials will be circulated upon request by the Board and Board Committee members. Urgent proposal can be presented or circulated to the Board Members less than five (5) days or during the Board meeting subject to the approval of the Chairman.</p> <p>The meeting proceedings, subject matters presented and reported at the Board and Board Committees' meetings, the discussions carried out, comments, pertinent objections and reservations, and how a decision is reached are minuted accordingly. The Company Secretary circulates the draft minutes via electronic mail to the respective Board and Board Committees' members for their perusal and comments to ensure the minutes accurately reflect the deliberations and decisions of the Board and Board Committees. The minutes are tabled and confirmed at the next meeting.</p> <p>The Company Secretary ensures that all minutes and meeting</p>

	materials are properly kept to ease future reference.	
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>Apart from being governed by the Company's Articles of Association (Constitution), provisions of the Companies Act, 2016 and Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements, the Board is guided by the Board Charter in discharging its duties and fiduciary obligation to the Group and the Company.</p> <p>The Board Charter has been in place since 2012. The Board Charter will be updated as necessary. On 30 March 2018, the Board adopted a revised Board Charter which is aligned to the application of the new Malaysian Code on Corporate Governance. Moving forward, the Board Charter will be reviewed again, where necessary to revised accordingly so that it is consistent with the Company's new Constitution.</p> <p>The Board Charter is published on HeveaBoard's corporate website at www.heveaboard.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 Board recognises its leadership role in setting and articulating good business conduct and healthy corporate culture.</p> <p>The Board had on 28 August 2015 adopted a Code of Conduct to formalise the standards of responsibility, obligations, integrity and ethical conduct amongst the Board members in fulfilling their fiduciary obligations to the Group and the Company.</p> <p>During the financial year, having perused the practices of the MCGG, the Board with the assistance of the Company Secretary, had made a review on its Code of Conduct to ensure alignment with the best practices. On 30 March 2018, the Board adopted a revised Code of Conduct and renamed it as Code of Conduct and Ethics ("Code") to extend the application and implementation of the Code at all level within the Group and the Company.</p> <p>By having the Code, the Board sets the tone for the Group through the way it conducts itself, its attitude to ethical matters, its definition of success and risk. It defines the atmosphere within which the Executive Team works.</p> <p>The Code of Conduct and Ethics is published on HeveaBoard's corporate website at www.heveaboard.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 in its effort to enhance corporate governance has put in place a Whistleblowing Policy on 28 August 2015. The Policy formalises HeveaBoard’s commitment towards providing a safe and ethical work environment within the Group.</p> <p>With the Whistleblowing Policy:</p> <ul style="list-style-type: none">a. The Board seeks to encourage reporting from Directors, employees, clients, suppliers, contractors, sub-contractors and other stakeholders including members of the public who have dealings with the Group (“whistle-blower”) about unethical or fraudulent practices within the Group so that damage control or remedial action can be taken promptly.b. It provides a reporting channel and procedures to enable whistle-blower to raise matters that affect the integrity of the Group or disclose genuine concerns about malpractices, misconduct, unethical conduct, non-compliant or suspicion to enable wrongdoings at all levels of the Group to be reported.c. It provides the manner the whistle-blower’s identity is protected and to protect whistle-blower from reprisal or being put in a disadvantage position.d. It provides procedures to deal with complaints and matters reported, and it offers a reporting and investigative mechanism that is objective, transparent, confidential and independent.e. All whistle-blowing reports could be addressed to the Investigative Office who is the Senior Independent Non-Executive Chairman of the Company namely, Mr Sundra Moorthi A/L V.M. Krishnasamy via e-mail address at sundra@heveaboard.com.my. <p>Details of the Whistleblowing Policy can be viewed on HeveaBoard’s corporate website at www.heveaboard.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>At the beginning of the financial year, the Board comprised of 6 members with one-third (1/3) of the Board members being Independent Directors. This met the requirements of paragraph 15.02 (1) of the Main Market Listing Requirements.</p> <p>The Nomination Committee (“NC”) recognises the spirit and intention of the MCCG released by the Securities Commission Malaysia on 26 April 2017, which has been enhanced, among others, to strengthen board composition, independence, accountability and transparency.</p> <p>The Board accepted the recommendation of the NC to apply Practice 4.1 of the MCCG that at least half of the Board members comprise Independent Directors. The Board size was to be enlarged by appointing additional Independent Non-Executive Directors based on the justification that an enlarged Board size was required to meet HeveaBoard’s objectives and strategic goals to further expand its business operations, while continues ensuring good corporate governance.</p> <p>After making the above recommendations, the NC undertook a recruitment process to identify suitable candidates for appointment as Independent Non-Executive Directors. A number of candidates had been identified. After a careful reviewed of the candidates background, qualification, experience and independence assessment, three (3) candidates were shortlisted for recommendation to the Board for its consideration for appointment as additional Independent Non-Executive Directors.</p> <p>On 27 February 2018, the Board resolved to appoint three (3) additional Independent Non-Executive Directors, namely Mr Sundra Moorthi A/L V.M. Krishnasamy, Mr Yoong Yan Pin and Mr Thye Heng Ong @ Teh Heng Ong to increase its Board size to a total of nine (9) Directors, comprises majority Independent Directors.</p> <p>The members of the Board after the change are as follows:</p> <ol style="list-style-type: none">1) Tan Sri Dato’ Chan Choong Tack @ Chan Choong Tak (Senior Independent Non-Executive Chairman)2) Mr Yoong Hau Chun (Group Managing Director)

- 3) Ms Yoong Li Yen
(Executive Director)
- 4) Dato' Loo Swee Chew
(Non-Independent Non-Executive Director)
- 5) Mr Lim Kah Poon
(Independent Non-Executive Director)
- 6) Mr Bailey Policarpio
(Non-Independent Non-Executive Director)
- 7) Mr Sundra Moorthi A/L V.M. Krishnasamy
(Independent Non-Executive Director)
- 8) Mr Yoong Yan Pin
(Independent Non-Executive Director)
- 9) Mr Thye Heng Ong @ Teh Heng Ong
(Independent Non-Executive Director)

The Board consists of two (2) Alternate Directors:

1. Mr Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)
(Alternate Director to Mr Yoong Hau Chun)
2. Mr Loo Chin Meng
(Alternate Director to Dato' Loo Swee Chew)

Following the demise of the Chairman, namely the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak ("the late Tan Sri Dato' Chan") on 3 September 2018, the compositions of the Board and Board Committees had been restructured again on 19 November 2018 with the following changes:

- i. Mr Sundra Moorthi A/L V.M. Krishnasamy was re-designated as a Chairman of the Board and Remuneration Committee (in place of the late Tan Sri Dato' Chan);
- ii. Mr Yoong Yan Pin was appointed as a Chairman of Nomination Committee (in place of the late Tan Sri Dato' Chan); and
- iii. Mr Thye Heng Ong @ Teh Heng Ong was appointed as a Chairman (in place of the late Tan Sri Dato' Chan), and Mr Loo Chin Meng was appointed as member of Tender Board Committee (in place of Dato' Loo Swee Chew who has resigned on 19 November 2018).

Under the leadership of the new Chairman, the Board will continue to function effectively in fulfilling its oversight responsibilities. The new Board and Board Committees composition are acceptable and comply with the Listing Requirements of Bursa Malaysia Securities Berhad and MCGG with half of the Board members comprise independent Directors. The new composition of the Board is as follows:

- 1) Mr Sundra Moorthi A/L V.M. Krishnasamy
(Independent Non-Executive Chairman)
- 2) Mr Yoong Hau Chun
(Group Managing Director)

	<p>3) Ms Yoong Li Yen <i>(Executive Director)</i></p> <p>4) Mr Lim Kah Poon <i>(Independent Non-Executive Director)</i></p> <p>5) Mr Bailey Policarpio <i>(Non-Independent Non-Executive Director)</i></p> <p>6) Mr Yoong Yan Pin <i>(Independent Non-Executive Director)</i></p> <p>7) Mr Thye Heng Ong @ Teh Heng Ong <i>(Independent Non-Executive Director)</i></p> <p>8) Mr Loo Chin Meng <i>(Non-Independent Non-Executive Director)</i></p> <p>The Board consists of one (1) Alternate Director:</p> <p>1. Mr Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong) <i>(Alternate Director to Mr Yoong Hau Chun)</i></p> <p>The profile of the Directors and alternate Directors are disclosed in the Annual Report under the section of Profile of Directors.</p>
<p>Explanation for departure :</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>Timeframe :</p>	

Intended Outcome

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

Practice 4.2

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

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

Application	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	<p>At the last AGM held on 30 May 2018, the Board continued with the good corporate governance practice to seek shareholders' approval for retention of its Independent Non-Executive Directors who had served the Board for a cumulative term of more than nine (9) years since 1 October 2004. In view that the Independent Non-Executive Directors had served the Board for more than twelve (12) years, shareholders' approval was obtained through a Two-Tier Voting Process at the last AGM according to Practice 4.2 of the MCCG.</p> <p>The Board intends to seek shareholders' approval again at the forthcoming AGM of the Company to be held on 10 June 2019 for retention of Mr Lim Kah Poon as an Independent Director based on the justification that:</p> <ol style="list-style-type: none">1. Mr Lim Kah Poon has fulfilled the criteria stated under the definition of Independent Director as defined in the Listing Requirements of Bursa Securities;2. His length of services on the Board of more than nine (9) years each does not in any way interfere with the exercise of objective judgement or his ability to act in the best interest of the Group and the Company. In fact, he is familiar with the Group's business operations and has always actively participated in Board and Board Committee discussions and has continuously provided an independent and constructive view to the Board; and3. He has exercised due care during his tenure as an Independent Director of the Company and has discharged his duties with skill and competence, bringing independent judgement into the decision making of the Board and in the best interest of the Company and its shareholders. <p>In order to determine whether the long serving Independent Director remain independent, in each financial year, the Nomination</p>

	<p>Committee (“NC”) conducts an annual assessment of the materiality of Independent Director’s relationships that may affect his independence.</p> <p>At the NC meeting held on 22 November 2018, Mr Lim Kah Poon had been assessed as remain independent. The NC recommended to the Board an extension of tenure of him as an Independent Director.</p> <p>Mr Lim Kah Poon has served the Board for more than twelve (12) years, thus, Practice 4.2 of the MCGG will be applied to seek shareholders’ approval at the forthcoming AGM which is to be held on 10 June 2019 through a Two-Tier Voting Process.</p>	
<p>Explanation for departure :</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>Timeframe :</p>		

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	:	Adopted
Explanation on adoption of the practice	:	<p>The Board recognises the length of service of an Independent Director is increasingly being recognised as a key element in the review of a Director's independence.</p> <p>The Board has laid down in its Board Charter that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director.</p> <p>If the Board desires to retain an Independent Director beyond nine (9) years, upon recommendation of the Nomination Committee, it should justify and seek annual shareholders' approval.</p> <p>If the Board continues to retain the independent director after the twelfth (12th) years, the Board should seek annual shareholders' approval through a Two-Tier Voting Process.</p>

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>In evaluating the suitability of the candidates for Board and Senior Management appointment, the Nomination Committee (“NC”) considers the following criteria:-</p> <ul style="list-style-type: none"> (a) Age, gender; (b) Qualification, skills, business and industry knowledge, expertise, working experience and track records; (c) Personal and cultural background such as character, personal integrity, reputation, race/ethnicity; (d) Competencies; (e) Potential conflict of interest with the Group and Company; (f) The current diversity of the existing Board and Senior Management; (g) Willingness to devote time to effectively discharge his/her duties as Director and number of directorship held (applicable to candidate for director only); (h) In the case of candidates for the position of Independent Non-Executive Director, the independence of the candidates and the candidate’s ability to discharge such responsibilities/functions as are expected from an Independent Non-Executive Director (applicable to candidate for director only); and (i) The Board composition on the basis to meet the Group and the Company’s goals and objectives (applicable to candidate for director only). <p>During the financial year and up to the date of this CG Report, the diversity of the Board and Key Senior Management are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Race/Ethnicity</th> <th colspan="2">Nationality</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>Other</th> <th>Malaysian</th> <th>Foreigner</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>0</td> <td>6</td> <td>1</td> <td>1</td> <td>6</td> <td>2</td> </tr> <tr> <td>Key Senior Management</td> <td>0</td> <td>4</td> <td>1</td> <td>0</td> <td>5</td> <td>0</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>30-39</th> <th>40-49</th> <th>50-59</th> <th>> 60</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>0</td> <td>4</td> <td>0</td> <td>4</td> <td>7</td> <td>1</td> </tr> <tr> <td>Key Senior Management</td> <td>0</td> <td>2</td> <td>1</td> <td>2</td> <td>3</td> <td>2</td> </tr> </tbody> </table> <p>The Board comprises high calibre individuals from diverse background,</p>		Race/Ethnicity				Nationality		Malay	Chinese	Indian	Other	Malaysian	Foreigner	Director	0	6	1	1	6	2	Key Senior Management	0	4	1	0	5	0		Age Group				Gender		30-39	40-49	50-59	> 60	Male	Female	Director	0	4	0	4	7	1	Key Senior Management	0	2	1	2	3	2
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	<p>experiences and knowledge which range from industry-specific knowledge, engineering, finance, legal, management and marketing. This has enabled productive discussion among the Board members to arrive at decision-making and effective oversight of management and performance of the Group and the Company. The details of the Directors' profile are disclosed in the Annual Report under the section of Profile of Directors.</p> <p>During the financial year, the Board embarked to increase its Board size to meet HeveaBoard's plans to further expand its business operations, while continues ensuring good corporate governance. In order to achieve sufficient gender diversity, the NC in its selection process recognised the need to identify woman candidates with sufficient calibre to be part of the Board. Meanwhile, candidates with legal background were also being considered to complement the good mix of board composition. At the conclusion of the selection process in February 2018, woman candidate with the required calibre had not been identified. Notwithstanding that, the NC will always emphasize on woman candidates in its future recruitment.</p> <p>The Group believes workplace greater gender diversity contributes to business success. Thus, it has been making continuous effect to ensure workplace gender diversity in its recruitment and promotion process across the Group particularly, in line management and senior roles. The top six (6) Key Senior Management of the Group is represented by two (2) female Executive Officers who respectively holds the position of Chief Financial Officer and General Manager – Corporate Services.</p> <p>The position and profile of the Key Senior Management are disclosed in the Annual Report under the section of Profile of Key Senior Management.</p>	
<p>Explanation for departure :</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>Timeframe :</p>		

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 the benefit of board diversity which includes gender equality for the good mix of Board composition.</p> <p>The current Board comprises a woman Director, namely Ms Yoong Li Yen who is an Executive Director of the Group.</p> <p>The Board has not formalised its Board Gender Diversity Policy alongside targets and measures to meet the targets.</p> <p>The Board recognises the challenge in achieving the appropriate level of board gender diversity as any new appointment of Director is based on objective criteria and merit rather than filling gender quotas.</p> <p>Despite the challenge, the Board appreciates the spirit of the MCGG and has taken various measures to achieve sufficient board gender diversity such as:</p> <ol style="list-style-type: none"> 1) Ensuring that the Company does not practise any form of gender discrimination or restrict the number of woman Director to sit on the Board. 2) The selection and recruitment exercise should also emphasise on female candidates and both genders are given equal treatment. 3) Grooming up female talents within the Group in its succession planning.
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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>Appointment of new Director is undertaken by the Board as a whole after considering the recommendation of the Nomination Committee ("NC").</p> <p>In the selection and recruitment exercise to appoint additional Directors, the NC considers the profile of the potential candidates which some of them are identified by the NC members and some of them could be recommended by the Board members. The NC would also consider potential candidates by utilising independent sources such as recruitment firms and through industry associations when the need arises. Despite the sources of which the potential candidates are identified, the NC performs an objective review on the candidates' profile and their level of independence based on the pre-set criteria and Bursa Securities' Listing Requirements. Arrangement would also be made to meet up with the selected candidates to assess their suitability for appointment as additional members to 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 4.7

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

Application	:	Applied
Explanation on application of the practice	:	The Nominating Committee is chaired by an Independent Non-Executive Director. During the financial year, the Board has appointed Mr Yoong Yan Pin as Chairman of the Nomination Committee on 19 November 2018 in place of the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak. The Nomination Committee lead the recruitment, selection, evaluation process and annual review of Board effectiveness to ensure objective assessments are performed.
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 delegated to the Nomination Committee (“NC”) the duty on assessing performance and effectiveness of the Board, Board Committees and each individual Director.</p> <p>In order to ensure that the recruitment and evaluation of Board members are done objectively, the NC comprises three (3) members, exclusively of Non-Executive Directors with a majority of Independent Directors, and the NC is chaired by an Independent Non-Executive Director. During the financial year, Mr Yoong Yan Pin was appointed as a Chairman of the NC on 19 November 2018 in place of the late Tan Sri Dato’ Chan Choong Tack @ Chan Choong Tak who passed away on 3 September 2018. The members of the NC are as follows:-</p> <ol style="list-style-type: none">1) Mr Yoong Yan Pin – Chairman <i>(Independent Non-Executive Director)</i>2) Mr Lim Kah Poon – Member <i>(Independent Non-Executive Director)</i>3) Mr Bailey Policarpio – Member <i>(Non-Independent Non-Executive Director)</i> <p>The process of assessment are as follows:</p> <ul style="list-style-type: none">• The assessment is performed annually and internally facilitated.• The annual internal evaluation is undertaken by the NC and individual Board members by using Performance Appraisal Forms containing questionnaires. The questionnaires are tailor-made to the Company’s needs with reference to the criteria as recommended in the Corporate Governance Guide. The evaluation process is facilitated by the Company Secretary.• Prior to NC meeting, the respective questionnaires are circulated to the NC members and individual Board members via electronic-mail.• The Company Secretary compiles and summarises the

	<p>performance ratings and then circulates to the NC members via electronic-mail for their review before the NC meeting.</p> <ul style="list-style-type: none"> • At the NC meeting, the NC assesses and discusses the performance of the Board and Board Committees, and each individual Director. • The NC then recommends the outcome of the assessments to the Board for its review. <p>The criteria of assessments are as follows:</p> <p>a. The performance of individual Directors were assessed based on the following criteria:-</p> <ul style="list-style-type: none"> • Integrity; • Professionalism (provides logical honest opinions and unique insight on issues presented, provides realism and practical advice for Board’s deliberations, applies analytical and conceptual skills to the decision-making process); • Business knowledge; • Industry knowledge; • Availability, meeting attendance and preparation; • Director’s participation (participates actively in Board’s activities and works constructively with peers). • Business planning contribution; and • Relationship with Board Members and team work. <p>b. The performance and effectiveness of the Board are assessed based on the criteria set on the following areas:-</p> <ul style="list-style-type: none"> • Board structure and composition; • Board Chairman’s role and responsibilities; • Board operations; • Board dynamics; • Strategy and planning; • Risk Management and Internal Control; • Measuring and monitoring performances; • Management performance evaluation, compensation and succession planning; and • Shareholders communication and investor relation. <p>c. The performance and effectiveness of Board Committees are assessed based on the following factors:-</p> <ul style="list-style-type: none"> • The composition of the Board Committees; • The criteria used on appointment of Board Committees’ Chairman; • The expertise of the members of the Board Committees in fulfilling their roles; • The value and quality of the Board Committees’
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recommendations in assisting the Board for better decision-making, and making the Board meetings more efficient/effective;

- The ability of the Board Committees to effectively discharging their responsibilities conferred by the Board based on their Terms of Reference;
- The ability of the Board Committees' Chairman to properly discharging their responsibilities, deploying resources and expertise, and providing appropriate reporting and recommendations to the Board; and
- Whether the Board is well informed on a sufficiently timely basis regarding the Board Committee's deliberations.

During the financial year, the NC at its meeting held on 22 November 2018 conducted an annual assessment on the performance and effectiveness of the Board, Board Committees and each individual Director.

The outcome of the assessment during the financial year are as follows:

- i. The Board had discharged its fiduciary duties and leadership functions effectively, particularly in managing the various challenges faced by the Group and the Company during the financial year. The Independent Directors had continuously fulfilled the independence criteria as set out in Practice Note 13 of the Main Market Listing Requirements.
- ii. The Board Committees, i.e., Audit Committee, Nomination Committee and Remuneration Committee had discharged their duties efficiently and effectively.
- iii. Each Director had sufficiently contributed his/her skills, experience, business and industry knowledge and time in discharging their duties and responsibilities.

The outcomes of the annual assessment were also used as a basis of the NC on its recommendation to the Board for re-election of Directors and, where appropriate, as justification for retention of Independent Director at the forthcoming AGM.

Directors' Training

In terms of training need of the Directors, the NC evaluated and identified the training and development need of each Director and recommended training programme based on the results of the annual assessments. The NC opined that the training programs should be identified based on the changing market trend, direction of business environment and regulatory requirements. Each Director may identify and propose his/her own training needs accordingly.

	<p>The Directors recognised the needs to undertake continuous professional development to keep themselves abreast with the developments in compliance with paragraph 15.08 of the Listing requirements of Bursa Securities.</p>																			
	<p>The training programme attended by Directors during the financial year are as follows:-</p>																			
	<table border="1"> <thead> <tr> <th data-bbox="528 443 879 479">Director</th> <th data-bbox="879 443 1396 479">Training Attended</th> </tr> </thead> <tbody> <tr> <td data-bbox="528 479 879 589">Mr Sundra Moorthi A/L V.M. Krishnasamy</td> <td data-bbox="879 479 1396 589">▪ Risk Management Workshop</td> </tr> <tr> <td data-bbox="528 589 879 698">Mr Yoong Hau Chun</td> <td data-bbox="879 589 1396 698">▪ Risk Management Workshop ▪ Budget 2019 & SST updates</td> </tr> <tr> <td data-bbox="528 698 879 808">Ms Yoong Li Yen</td> <td data-bbox="879 698 1396 808">▪ Risk Management Workshop ▪ Budget 2019 & SST updates</td> </tr> <tr> <td data-bbox="528 808 879 880">Mr Lim Kah Poon</td> <td data-bbox="879 808 1396 880">▪ Risk Management Workshop</td> </tr> <tr> <td data-bbox="528 880 879 952">Mr Bailey Policarpio</td> <td data-bbox="879 880 1396 952">▪ Risk Management Workshop</td> </tr> <tr> <td data-bbox="528 952 879 1167">Mr Yoong Yan Pin</td> <td data-bbox="879 952 1396 1167">▪ Risk Management Workshop ▪ Bursa’s Case Study Workshop for Independent Directors entitled: “Rethinking – Independent Directors: Board Best Practices”</td> </tr> <tr> <td data-bbox="528 1167 879 1310">Mr Thye Heng Ong @ Teh Heng Ong</td> <td data-bbox="879 1167 1396 1310">▪ Risk Management Workshop ▪ Mandatory Accreditation Programme (MAP)</td> </tr> <tr> <td data-bbox="528 1310 879 1417">Mr Loo Chin Meng</td> <td data-bbox="879 1310 1396 1417">▪ Risk Management Workshop ▪ Budget 2019 & SST updates</td> </tr> </tbody> </table>	Director	Training Attended	Mr Sundra Moorthi A/L V.M. Krishnasamy	▪ Risk Management Workshop	Mr Yoong Hau Chun	▪ Risk Management Workshop ▪ Budget 2019 & SST updates	Ms Yoong Li Yen	▪ Risk Management Workshop ▪ Budget 2019 & SST updates	Mr Lim Kah Poon	▪ Risk Management Workshop	Mr Bailey Policarpio	▪ Risk Management Workshop	Mr Yoong Yan Pin	▪ Risk Management Workshop ▪ Bursa’s Case Study Workshop for Independent Directors entitled: “Rethinking – Independent Directors: Board Best Practices”	Mr Thye Heng Ong @ Teh Heng Ong	▪ Risk Management Workshop ▪ Mandatory Accreditation Programme (MAP)	Mr Loo Chin Meng	▪ Risk Management Workshop ▪ Budget 2019 & SST updates	
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<p>Measure :</p>																				
<p>Timeframe :</p>																				

Intended Outcome

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

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

Practice 6.1

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

Application	: Applied
Explanation on application of the practice	<p>The Remuneration Committee ("RC") assists the Board to establish a formal and transparent framework for developing policy and procedures on remuneration packages for Directors and Senior Management, and implements the policy and procedures accordingly.</p> <p>The Remuneration Policy and Procedures of the Company are set out below:</p> <ol style="list-style-type: none">1. Remuneration should be set at levels which are sufficient to attract and retain Directors and Senior Management that need to run the Group and the Company successfully, but without more than is necessary to achieve this goal.2. The remuneration packages for Director and Senior Management are reviewed annually and shall be recommended by the RC and determined by the Board as a whole based on the following policy: <p>A. <u>DIRECTOR</u></p> <p>(i) Managing Director and Executive Director</p> <ul style="list-style-type: none">▪ In accordance with the Company's Articles of Association (Constitution);▪ All Executive Directors are paid monthly salaries, bonuses, EPF, retirement benefits, benefits-in-kind and other allowances which are commensurate with the level of responsibilities, functions and workload;▪ Salaries payable may not include a commission on or a percentage of turnover;▪ The component parts of remuneration package is structured so as to link corporate performance to individual performance and contribution;

	<ul style="list-style-type: none"> ▪ Executive Directors are not entitled to Directors' fees; ▪ They may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general meetings/annual general meetings of the Company or in connection with the business of the Company; ▪ Based on the Company's performance; and ▪ The compensation levels for comparable positions among other similar industry. <p>(ii) Non-Executive Director</p> <ul style="list-style-type: none"> ▪ In accordance with the Company's Articles of Association (Constitution); ▪ Non-Executive Directors are entitled to Directors' Fees as ordinary remuneration and shall be a fixed sum and not payable by a commission or percentage of profits or turnover; ▪ The remuneration should reflect the contribution and level of responsibilities undertaken by them; ▪ They will also be paid a sum based on their responsibilities in Board Committees; ▪ They may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general meetings/annual general meetings of the Company or in connection with the business of the Company; ▪ Based on the Company's performance; and ▪ The compensation levels for comparable positions among other similar industry. <p>B. SENIOR MANAGEMENT</p> <ul style="list-style-type: none"> ▪ Based on function, workload and responsibilities involved; ▪ Based on key performance indicators; ▪ The Company's performance; and ▪ The compensation levels for comparable positions among other similar industry. <p>3. The outcome of the Nomination Committee's annual assessment may be used by the RC as a guide in its review on Directors' remuneration packages.</p> <p>4. The Directors concerned should abstain from participating in the deliberation and decision-making in respect of their own</p>
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	<p>remuneration.</p> <ol style="list-style-type: none"> 5. The fees of Non-Executive Directors and any benefits payable to them, and any increment are pursuant to shareholders' approval in general meeting or annual general meeting in accordance with Section 230(1) and 340(1)(c) of the Companies Act, 2016. 6. The remuneration policy is reviewed periodically against market practices by the RC and the Board to ensure that the remuneration remains appropriate to each Director's and Senior Management's contribution. 7. When consider severance payments, the RC and Board should bear in mind that it must represent the public interest and avoid any inappropriate use of public funds. Care should be taken to avoid determining a severance package that in the public's opinion might deem to be excessive. 8. Management should report to the RC and the Board on the status of implementation of the remuneration packages approved by the Board.
<p>Explanation for departure :</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>Timeframe :</p>	

Intended Outcome

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

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

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remunerations 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 Board has delegated to the Remuneration Committee ("RC") the implementation of its policy and procedures on remunerations according to the RC's Terms of Reference. The RC's Terms of Reference is published on HeveaBoard's corporate website at www.heveaboard.com.my</p> <p>At the beginning of the financial year, the RC comprised three (3) members with most of them are Independent Non-Executive Directors. In recognition that remuneration decisions should be made through a transparent and independent process, the Board accepted the Nomination Committee's recommendation that RC should only consist of Non-Executive Directors and a majority of them must be Independent Directors to align with Guidance 6.2 of the MCCG. On 27 February 2018, the Board resolved to revise the RC composition to consist solely Non-Executive Directors and a majority of them Independent Directors by appointing Mr Bailey Policarpio as RC member in place of Mr Yoong Hau Chun, the Group Managing Director. On 19 November 2018, Mr Sundra Moorthi A/L V.M. Krishnasamy was appointed as a Chairman of the RC in place of the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak who passed away on 3 September 2018. The members of the RC after the change are as follows:-</p> <ol style="list-style-type: none">1) Mr Sundra Moorthi A/L V.M. Krishnasamy – Chairman <i>(Independent Non-Executive Chairman)</i>2) Mr Lim Kah Poon – Member <i>(Independent Non-Executive Director)</i>3) Mr Bailey Policarpio – Member <i>(Non-Independent Non-Executive Director)</i> <p>In assisting the Board in implementing the policy and procedures on</p>

	<p>remunerations:</p> <ul style="list-style-type: none"> • The RC conducts an annual review on the remuneration packages of the Group Managing Director, Executive Director, Non-Executive Directors and Senior Management based on the remuneration policy and procedures, and makes recommendation to the Board. The annual review is conducted in November of each year. • The outcome of the Nomination Committee’s annual assessment of the individual Directors, Board and Board Committees are used by RC as a guide in its review on Directors’ remuneration package. • The view of the Group Managing Director is reviewed and deliberated to assist the RC’s review on Senior Management’s remuneration package. • The results of market survey on the remuneration payable in other comparable public listed companies are made available to the RC as reference in its review, whenever relevant, so that, the remuneration packages recommended are at market norm. • None of the individual Directors or the Chairman participates in any discussion and decision relating to their own remuneration. <p>On 22 November 2018, the RC conducted an annual review of the remuneration packages of the Directors and Senior Management and submitted its recommendations for the 2019 remuneration packages to the Board for its approval.</p> <p>On 22 November 2018, Board deliberated the RC’s recommendations and made the following comments and decisions:</p> <ol style="list-style-type: none"> 1. <u>Group Managing Director, Executive Director and Senior Management</u> <p>The Board was of a view that the 2019 remuneration packages and annual salary adjustments and bonuses for the Group Managing Director, Executive Director and Senior Management as recommended are fair and equitable taking into consideration particularly the effort contributed by them have made the Group’s products highly recognised in the market as the top quality products, and the Group and the Company remain sustainable despite the challenging market conditions in 2018.</p> <p>With the Group Managing Director and Executive Director concerned who abstained themselves from discussion and decision-making in respect of their own remuneration, the Board approved the 2019 remuneration packages which include annual salary adjustments and bonuses as an appreciation of their contribution to the Group and Company.</p>
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	<p>2. <u>Non-Executive Directors</u></p> <p>Having considered the contribution and guidance of the Non-Executive Directors in overseeing the Group and the Company, , with the Non-Executive Directors concerned who abstained themselves from discussion and decision-making in respect of their own remuneration, the Board approved the recommendation of the RC as follows:</p> <p>i) The payment of Directors’ fees amounting to RM854,829 per annum for the financial year ending 31 December 2019.</p> <p>The Board was of the view that it is just and equitable for the Non-Executive Directors to be paid the Directors’ fees, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the year 2019.</p> <p>Pursuant to Section 230(1) of the Companies Act, 2016, among others, “the fees” of the directors and “any benefits” payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this regards, the Board recommended the Directors’ fees of the Non-Executive Directors for approval by the shareholders at the forthcoming Annual General Meeting to be held on 10 June 2019.</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

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>As a good corporate governance practice, the Board applies Practice 7.1 of the MCCG on its disclosure on a named basis for the remunerations of individual Directors.</p> <p>The remunerations received or receivable by the Non-Executive Directors, Group Managing Director and Executive Director in respect of the financial year ended 31 December 2018 are disclosed below:-</p> <p><u>COMPANY</u></p> <p>Non-Executive Directors (RM'000)</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Directors' Fees RM</th> <th>Other Emoluments RM</th> <th>Total RM</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Mr Sundra Moorthi A/L V.M. Krishnasamy ★ <i>(Independent Non-Executive Chairman)</i></td> <td>63</td> <td>nil</td> <td>63</td> </tr> <tr> <td>2.</td> <td>The late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak ♣ <i>(Senior Independent Non-Executive Chairman)</i></td> <td>61</td> <td>nil</td> <td>61</td> </tr> <tr> <td>3.</td> <td>Lim Kah Poon <i>(Independent Non-Executive Director)</i></td> <td>75</td> <td>72</td> <td>147</td> </tr> <tr> <td>4.</td> <td>Dato' Loo Swee Chew ♠ <i>(Non-Independent Non-Executive Director)</i></td> <td>56</td> <td>nil</td> <td>56</td> </tr> <tr> <td>5.</td> <td>Bailey Policarpio ● <i>(Non-Independent Non-Executive Director)</i></td> <td>69</td> <td>nil</td> <td>69</td> </tr> <tr> <td>6.</td> <td>Mr Yoong Yan Pin ❖ <i>(Independent Non-Executive Director)</i></td> <td>58</td> <td>nil</td> <td>58</td> </tr> <tr> <td>7.</td> <td>Mr Thye Heng Ong @ Teh Heng Ong ♥ <i>(Independent Non-Executive Director)</i></td> <td>58</td> <td>nil</td> <td>58</td> </tr> <tr> <td>8.</td> <td>Mr Loo Chin Meng▪ <i>(Non-Independent Non-Executive Director)</i></td> <td>19</td> <td>87</td> <td>106</td> </tr> </tbody> </table>				No.	Name	Directors' Fees RM	Other Emoluments RM	Total RM	1.	Mr Sundra Moorthi A/L V.M. Krishnasamy ★ <i>(Independent Non-Executive Chairman)</i>	63	nil	63	2.	The late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak ♣ <i>(Senior Independent Non-Executive Chairman)</i>	61	nil	61	3.	Lim Kah Poon <i>(Independent Non-Executive Director)</i>	75	72	147	4.	Dato' Loo Swee Chew ♠ <i>(Non-Independent Non-Executive Director)</i>	56	nil	56	5.	Bailey Policarpio ● <i>(Non-Independent Non-Executive Director)</i>	69	nil	69	6.	Mr Yoong Yan Pin ❖ <i>(Independent Non-Executive Director)</i>	58	nil	58	7.	Mr Thye Heng Ong @ Teh Heng Ong ♥ <i>(Independent Non-Executive Director)</i>	58	nil	58	8.	Mr Loo Chin Meng▪ <i>(Non-Independent Non-Executive Director)</i>	19	87	106
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Group Managing Director and Executive Director (RM'000)

No.	Name	Salary RM	Bonus RM	EPF RM	Retirement Benefit RM	Benefits in-kind RM	Other Allowance RM	Total RM
1.	Yoong Hau Chun [▲] (Group Managing Director)	1,039	167	181	87	28	nil	1,502
2.	Yoong Li Yen (Executive Director)	784	169	154	65	nil	72	1,244

GROUP**Non-Executive Directors (RM'000)**

No.	Name	Directors' Fees RM	Other Emoluments RM	Total RM
1	Mr Sundra Moorthi A/L V.M. Krishnasamy [★] (Independent Non-Executive Chairman)	63	nil	63
2.	The late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak [♣] (Senior Independent Non-Executive Chairman)	101	nil	101
3.	Lim Kah Poon (Independent Non-Executive Director)	75	72	147
4.	Dato' Loo Swee Chew [♠] (Non-Independent Non-Executive Director)	56	nil	56
5.	Bailey Policarpio [●] (Non-Independent Non-Executive Director)	69	nil	69
6.	Mr Yoong Yan Pin [❖] (Independent Non-Executive Director)	58	nil	58
7.	Mr Thye Heng Ong @ Teh Heng Ong [♥] (Independent Non-Executive Director)	58	nil	58
8.	Mr Loo Chin Meng [▪] (Non-Independent Non-Executive Director)	19	87	106

Group Managing Director and Executive Director (RM'000)								
No.	Name	Salary RM	Bonus RM	EPF RM	Retirement Benefit RM	Benefits in-kind RM	Other Allowance RM	Total RM
1.	Yoong Hau Chun [♣] (Group Managing Director)	1,039	167	181	87	28	nil	1,502
2.	Yoong Li Yen (Executive Director)	784	169	154	65	nil	72	1,244
<p>Note:</p> <ul style="list-style-type: none"> ★ Appointed as Board and AC member w.e.f. 27 February 2018. Re-designated as Chairman of the Board and appointed as RC Chairman w.e.f. 19 November 2018. ♣ Demise on 3 September 2018. [♣] Resigned as RC member w.e.f. 27 February 2018. ♣ Resigned as Board and Tender Board Committee member w.e.f. 19 November 2018. • Resigned as AC member and appointed as RC member w.e.f. 27 February 2018. ❖ Appointed as Board and AC member w.e.f. 27 February 2018; and appointed as NC Chairman w.e.f. 19 November 2018. ♥ Appointed as Board member w.e.f. 27 February 2018; and appointed as Tender Board Committee Chairman w.e.f. 19 November 2018. ▪ Appointed as Board and Tender Board Committee member w.e.f. 19 November 2018. 								
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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board is of the opinion that the disclosure on a named basis of the Senior Management's remuneration component consists of salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 would not be in the best interest of the Group and the Company. It would be commercially disadvantageous for the Company to reveal this information in this highly competitive market for talents and the need to retain talents.
		<p>The Board assures that the remuneration of the Senior Management is commensurate with the function, workload and responsibilities and individual performance, taking into account the Company's performance, and at the level which are sufficient to attract, retain and motivate Senior Management to run the Company successfully but without paying more than is necessary.</p> <p>The HR regularly reviews and benchmarks the employees' compensation to ensure that the remuneration packages are competitive and adequate to the employees.</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

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	:	<p>The Chairman of the Company's Audit Committee is not the Chairman of the Board. The two (2) positions are held by different individuals. The Company has adopted this practice over the years.</p> <p>The Audit Committee is chaired by Mr Lim Kah Poon who is an Independent Non-Executive Director. The Board is chaired by Mr Sundra Moorthi A/L V.M. Krishnasamy who was re-designated as an Independent Non-Executive Chairman on 19 November 2018 in place of the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak.</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 8.2

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 Board has always been mindful to uphold the independence element in its Audit Committee. To be in line with Practice 8.2 of the MCCG, the Terms of Reference of Audit Committee has been revised on 30 March 2018 to include a clause on a minimum cooling-off period of two (2) years before a former key audit partner can be appointed as a member of the Audit Committee.</p> <p>During the financial year, none of the members of the Audit Committee was a former key audit partner of the Group and the Company.</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 ("AC") is responsible for monitoring the ongoing effectiveness and independence of the External Auditors.</p> <p>The AC assesses the suitability, objectivity and independence of the External Auditors before making recommendation to the Board on appointment, removal, or whether or not the External Auditors should be put forward for re-appointment at the Annual General Meeting ("AGM"). The AC also reviews the remuneration payable to the External Auditors in respect of the audit work performed or to be performed to the Group and the Company.</p> <p>The AC has put in place policies on the following areas:</p> <ol style="list-style-type: none">1) The suitability and independence of the External Auditors are reviewed and assessed based on the criteria listed below:<ol style="list-style-type: none">i. The independence, objectivity, integrity and professionalism of the External Auditors in accordance with the terms of the professional and regulatory requirements of the Malaysian Institute of Accountants. The External Auditors must comply with their local professional institutes' rules concerning auditors' independence or their firm's requirements;ii. The experience, capabilities and resources of the audit firm;iii. The performance and competencies of the External Auditors;iv. The quality of services including the responsiveness to issues and ability to provide realistic analysis with technical knowledge and independent judgement, and sufficiency of resources they provide to the Group;v. The quality of the communications and interactions between the External Auditors and the AC during the course of audit; andvi. The level of non-audit services rendered by the External Auditors and its affiliates.

- 2) The provision of non-audit related services by the External Auditors and its affiliates are permitted.
- 3) There are limitation on the level and type of non-audit services that can be rendered by the External Auditors and its affiliates, prohibition of certain type of non-audit services to be rendered by the External Auditors with guidance from the By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants.
- 4) Restriction on the employment of former employees of the External Auditors who was in-charge of the Group's audit.
- 5) The audit fees shall be evaluated based on quantum of audit work, the audit process and approach, the engagement team's credentials and experience, their ability to provide value advice and services, and the ability to complete audit work within the Group's timeline.

The following procedures are undertaken by the AC:

- Performing annual review and assessment of the External Auditors' performance.
- Obtaining assurance form the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- Establishing criteria of quality audit, and suitability and independence of the External Auditors.
- Monitoring the type and level of non-audit services supplied by the External Auditors and its affiliates.
- Recommending the audit and non-audit fees based on the outcome of the annual assessment and quantum of audit work.

Annual assessment and re-appointment of External Auditors

Following the completion of the 2018 financial year audit, the AC had on 26 March 2019, carried out an annual assessment on the performance, objectivity and independence of the External Auditors, namely Messrs. Baker Tilly Monteiro Heng PLT ("BTMH"). The outcome of assessment was used as a guide in determine the suitability of BTMH before the AC made an informed recommendation to the Board on whether or not BTMH should be put forward for re-appointment at the forthcoming AGM.

The AC recommended for re-appointment of BTMH as External Auditors of the Group and the Company for the ensuing financial year based on the following opinions:

- a. BTMH confirmed that in relation to their audit of the accounts of HeveaBoard Group (“the Group”) ended 31 December 2018, the Engagement Partners and its staff engaged in the audit of the Group neither held any direct or indirect financial interest in the Group nor were connected with the Group which would impair their independence, and they had complied with the requirements for independence as stipulated in the International Standards on Auditing (“ISA”) 260.

In accordance with the By-laws of the Malaysian Institute of Accountants, BTMH rotates its Engagement Partners once every five (5) years to ensure objectivity, independence and integrity of audit opinions. The current lead audit Engagement Partner of the Group will be due for rotation in 2020.

- b. The AC was satisfied that BTMH had exercised professionalism and performed a quality audit.
- c. The AC considered BTMH to be continued suitable in their role as External Auditors of the Group and the Company.
- d. The type of non-audit services rendered by BTMH and its affiliates consist mainly of assurance-related services and taxation services. The AC was satisfied that the provision of non-audit services by BTMH did not in any way impair their objectivity and independence.

The Board at its meeting held on 26 March 2019, approved the re-appointment of BTMH as the Group and the Company’s External Auditors for the ensuing year based on the AC’s recommendation, subject to the shareholders’ approval to be sought at the forthcoming AGM.

Audit and Non- Audit Fees

The AC reviewed the audit fees and non-audit fees based on the pre-set criteria and recommended to the Board for approval an audit fee of RM60,000 and total non-audit fee of RM24,000 in respect of the financial year ended 31 December 2018.

The details of the audit and non-audit fees paid/payable to BTMH and a firm or corporation affiliated to BTMH in respect of their services rendered to the Group and Company for the financial year 2018 are set out below:

		Company RM	Group RM
	Audit Fees	60,000	140,800
	Non-Audit Fees		
	i) Review of Internal Control	5,000	5,000
	ii) Review of Other Information	5,000	5,000
	iii) Taxation Service	14,000	41,600
	Total Non-Audit Fees	24,000	51,600
	Pursuant to the authority given by Shareholders at the last Annual General Meeting, the Board at its meeting held on 26 March 2019, approved the audit fees and non-audit fees based on the recommendation of the AC.		
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	: Adopted
Explanation on adoption of the practice	<p>In the past, the Audit Committee ("AC") comprised of 3 members, all were Non-Executive Directors with a majority of them being Independent Directors. This met the requirements of paragraph 15.09 (1) of the Main Market Listing Requirements.</p> <p>It was recognised that independent elements is important not only to ensure independent decision-making process and effective oversight of management of the Group and the Company, an effective AC can bring transparency, focus and independent judgment that are needed to oversee the financial reporting process and assess the risks and control environment.</p> <p>Thus, during the financial year, the Board accepted the recommendation of the Nomination Committee ("NC") for the application of Practice 8.4 of the MCGG that AC should comprise solely of Independent Directors for good corporate governance practice.</p> <p>On 27 February 2018, based on NC's recommendation, the Board resolved to revise the AC composition to comprise solely of Independent Directors. The members of the AC after the change at that time were as follows:</p> <ol style="list-style-type: none">1) Mr Lim Kah Poon (Chairman) <i>Independent Non-Executive Director</i>2) Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak (Member) <i>Senior Independent Non-Executive Chairman</i>3) Mr Sundra Moorthi A/L V.M. Krishnasamy (Member) <i>Independent Non-Executive Director</i>4) Mr Yoong Yan Pin (Member) <i>Independent Non-Executive Director</i> <p>Following the demise of the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak on 9 September 2018, the composition of the Audit Committee remain independent and adequate to exercise effective oversight of management and financial reporting process of the Group and the Company. The current composition of the AC is follows:</p>

	<ol style="list-style-type: none">1) Mr Lim Kah Poon (Chairman) <i>Independent Non-Executive Director</i>2) Mr Sundra Moorthi A/L V.M. Krishnasamy (Member) <i>Independent Non-Executive Chairman</i>3) Mr Yoong Yan Pin (Member) <i>Independent Non-Executive Director</i>
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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 ("AC") members have been keeping themselves abreast of the development of the accounting and auditing standards, practices and rules through various channels so that they are able to assume the responsibility on overseeing the financial report of the Group and the Company effectively.</p> <p>1. Overseeing financial report</p> <p>During the financial year, the activities of the AC in terms of overseeing financial reporting were as follows:</p> <p>(i) <u>Review of quarterly financial results</u></p> <p>At each quarterly meeting, the AC reviewed the unaudited quarterly financial results consist of the financial information and reports prepared by Management in compliance with the Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting and paragraph 9.22, including appendix 9B of the Main Market Listing Requirements. The AC in consultation with Management deliberated the integrity of the quarterly financial results as well as the significant issues of concerns focusing on the following aspects before recommending to the Board for approval:</p> <ul style="list-style-type: none">a. Significant financial reporting issues and judgements;b. The appropriateness of accounting policies, key judgements and fairness of management estimates and going concern assumptions;c. The material financial areas in which significant judgements have been made;d. Changes in or implementation of major accounting policy and practices;e. Compliance with financial reporting standards and

- governance requirements;
- f. Other significant and unusual events; and
- g. The clarity of disclosures.

(ii) Audit Plan 2018

In November 2018, the AC conducted a preliminary meeting with the External Auditors to review and discuss the overall Audit Strategy and Audit Plan of the External Auditors for the financial year ending 31 December 2018. The Audit Plan outlined, amongst others, the audit scope, areas of emphasis, risk assessment and audit approach, related party transaction disclosures and procedures, audit timeframe, and prevailing accounting development.

In reviewing the overall Audit Strategy and Audit Plan, the Audit Committee focused its oversight on:

- a. The audit planning and identification process;
- b. The timing of major audit activities;
- c. Whether the External Auditors' analysis and planned audit activities demonstrate sufficient knowledge of the Group's business risks;
- d. Key audit deliverables; and
- e. The resources needed to execute the Audit Plan.

(iii) Audit Review Memorandum

During the course of audit, the External Auditors were invited to present their Audit Review Memorandum in February 2019 to provide, amongst others, the status of the audit, significant audit findings and matters of concerns, significant unusual events, potential key audit matters, fraud related matters, related party disclosures, matters for control improvements, significant outstanding matters, accounting developments and capital market development. The AC discussed impact of the relevant financial standards applicable to the Group and the Company. The AC Chairman also challenged the External Auditors as to the justification on the potential key audit matters identified.

(iv) Audited Financial Statements

The AC reviewed the Audited Financial Statements for the financial year ended 31 December 2018 before recommending to the Board for approval.

As part of the reviewing process, the AC discussed with Management with regard to the audit findings, disclosures and key areas relating the draft Audited Financial Statements, the representation letters issued by the External Auditors and

	<p>the implementation of audit recommendations.</p> <p>2. Continuous professional development</p> <p>The AC studied the new accounting standards amongst others, the MFRS 16 (leases) which are to be implemented in 2019 and may be relevant to the Group, and have impact to the financial statements of the Group and the Company, where appropriate, consultations and advices had been sought from accounting professionals.</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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to its responsibility for the Group's risk management and internal control framework. The Board acknowledges that risk management is an integral part of good management practices. Risk is inherent in all business activities. It is, however, not the Group's objective to eliminate risk totally, but to provide structural means to identify, prioritise and manage the risks involved in all the Group's activities and to balance between the cost of managing and treating risks, and the anticipated benefits that will be derived.</p> <p>In order to further strengthen the present risk management and internal control framework in the Group, the Board would continue to work with the Management in formalising and approving the Group's Risk Policy.</p> <p>The Board has established an Internal Audit Function which is currently outsourced to an independent internal audit consulting firm (Internal Auditors). Functionally, the Internal Auditors report to the Audit Committee directly and they are responsible for conducting regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls and processes within the Group.</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 9.2

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	:	The features of the Group's risk management and internal control framework covering the EXCO and management's responsibilities in risk management, annual risk assessment, and the review process by the Board and Audit Committee and the key internal controls are presented in the Annual Report under the Statement on Risk Management and Internal Control. The Board has also commented that they are satisfied with the effectiveness and adequacy the existing level of systems of risk management and internal control.
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 9.3 - 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	:	Instead of establishing a Risk Management Committee, the Audit Committee assumes the role in overseeing the risk management framework and policies together with Senior 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>An Internal Audit Function helps the Group and the Company to accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes, and provides the Board, through the Audit Committee (“AC”), reasonable assurance of the Group and the Company’s internal control, risk management and governance process.</p> <p>The AC assumes the responsibility to ensure that the Internal Audit Function is working effectively and independently.</p> <p>With a view to preserve the independence of the Internal Audit Function and to ensure this function is supported with adequate specialised expertise, the entire Internal Audit Function of HeveaBoard Group has been outsourced to an independent internal audit consulting firm, IA Essential Sdn. Bhd. (“Internal Auditors”).</p> <p>The Internal Auditors assist the AC to execute its oversight function and discharge its duties and responsibilities by performing independent reviews to ensure the adequacy and effectiveness of the internal control and risk management systems established by the Group.</p> <p>The Internal Auditors report directly to the AC on a quarterly basis, and provide its reports to Management, outlining their audit findings, areas required improvement and rectification, action plans recommended for implementation and improvement, and follow-up on the status of implementation of action plans.</p> <p>The Internal Auditors carry out their functions based on the Internal Audit Plan approved by the AC. Subject to separate terms of engagement, special and ad hoc audit reviews and assistance requested by the Management shall be approved by the AC.</p> <p>The AC reviews periodically the adequacy of the Audit Plan and its audit scope to ensure it is aligned with the strategies and risks of the Group, the resources and authorities made available to the Internal Audit Function, and the competency of the Internal Auditors, to ensure the Internal Audit Function remains effective.</p>

The AC also reviewed and observed the performance of the Internal Auditors and reported to the Board on their competency. After the Board members and AC members had discussed and commented the performance of the Internal Auditors, the AC Chairman conveyed the requests of the AC members and Board members and their expectation on the Internal Auditors to the lead Internal Auditor for further improvement.

Internal Audit Report

During the financial year, the AC reviewed the internal audits performed by the Internal Auditors, the reports on the outcome of the audits conducted and the effectiveness of the internal control implemented within the Group. The internal audit covered the following:

No.	Audit Areas	Objectives of Audit
1.	Inventory Management in HeveaBoard	To evaluate the effectiveness of management controls in Inventory Management (raw material and finished goods).
2.	Inventory Management in HeveaPac Sdn. Bhd. (the wholly-owned subsidiary of HeveaBoard)	To evaluate the effectiveness of management controls in Inventory Management (raw material and finished goods).
3.	Annual Risk Assessment Workshop conducted on 6 August 2018	To identify, re-assess and rate the existing, new and emerging risks, and to evaluate the adequacy of the existing control and the need for further actions.
4.	Follow-up Audit in relation to HeveaBoard and HeveaPac Sdn. Bhd.	Follow-up audit on the status of implementation of proposed actions and audit recommendations.

Based on the audit findings and reports of the Internal Auditors, the AC formed an opinion on the adequacy of measures undertaken by Management, and reported to the Board on the overall standing of the Group’s internal control.

The Board was satisfied that the existing level of system of risk management and internal control were effective to enable the Group and the Company to achieve its business objectives and there were no material losses resulted from control weaknesses that would require additional disclosure.

Internal Audit Plan

During the financial year, the AC also reviewed and approved the Internal Audit Plan for 2019 to 2022 presented by the Internal

	Auditors. Based on the Internal Audit Plan, the internal audit will focus on HeveaBoard and its subsidiary namely, HeveaPac Sdn. Bhd. which are the largest components in the Group's revenue, gross profit and net assets and audit review will be conducted on high risk areas that were identified at HeveaBoard's Annual Risk Assessment Workshop.	
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.

- (a) whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- (b) the number of resources in the internal audit department;
- (c) name and qualification of the person responsible for internal audit; and
- (d) 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 Function of HeveaBoard Group is carried out by IA Essential Sdn. Bhd. ("IA Essential"), an independent internal audit consulting firm. Save for the internal audit function service, there are no other engagements between the Group and IA Essential. Thus, the engagement is free from any other relationship or conflict of interest which could impair the Internal Auditors' objectivity and independence.</p> <p>The internal audit activities were performed by an audit team comprising a manager and an executive who are accounting graduates. This audit team is guided by a director who is a member of the Malaysian Institute of Certified Public Accountants, the Chartered Accountants Australia and New Zealand, and the Institute of Internal Auditors Malaysia.</p> <p>The Internal Auditors have performed its work in accordance with the principles of the international internal auditing practices covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders.</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>The Board values the relationship between the Company and its stakeholders. The Board also recognises the need for transparency and accountability to the Company's stakeholders, and regular communication with its shareholders, stakeholders and investors on the performance and major developments of the Group.</p> <p>The Company has put in place the following initiatives to facilitate effective reporting and communication with its shareholders and investors:</p> <ol style="list-style-type: none"> 1. Timely announcement to Bursa Securities, which includes among others release of quarterly financial results, annual financial statements, circulars, Annual Reports and material information. 2. Holds regular dialogue with analysts, institutional shareholders and members of the press to convey information regarding the Group's performance, strategic direction, development, financial and prospect as and when requested. However, market sensitive disclosures are first made available on the Bursa Securities announcements platform before disclosed in these dialogues. 3. General Meetings and Annual General Meeting ("AGM") are one of the principal forums for dialogue with shareholders. Besides the usual agenda for AGM, the Board presents the progress and performance of the Group's business and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. 4. The Board leverages on its corporate website in communicating, disseminating and add depth to the governance reporting. HeveaBoard's corporate website under Corporate Governance house information such as Board Charter, Code of Conduct and Ethic, Whistleblowing Policy, Terms of Reference of Board Committees and Statement on Risk Management and Internal Control. Other principal governance information such as annual reports, announcements, and financial highlights are also made

	<p>available in the website under the section for Investor Relations for the benefit of the investing public.</p> <p>5. The corporate website also provides Investor Relations contact for shareholders to direct their queries or concerns.</p> <p>6. Attending to shareholders' and investors' emails and telephone enquiries.</p>	
<p>Explanation for departure :</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>Timeframe :</p>		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	HeveaBoard is not a Large Company as defined in the MCCG. Thus, the Company has not adopted an integrated reporting based on a globally recognised framework in its reporting approach to stakeholders.	
<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	:	<p>The Company has been practising sending Notice of Annual General Meeting (“AGM”) to shareholders more than 28 days prior to the meeting. The Board recognises that a longer notice allows ample time for shareholders to consider the resolutions or seek professional advice before exercising their voting rights, and to make arrangement to attend the AGM either personally or through proxy/corporate representative.</p> <p>The Notice of AGM for the forthcoming AGM to be held on 10 June 2019 has been published on New Straits Times and served to shareholders on 30 April 2019 which is more than 28 days prior to the date of the AGM.</p> <p>Items of both of the ordinary business and special business included in the Notice of AGM are accompanied by an explanatory statement to facilitate full understanding and to enable informed decision by the shareholders. Apart from that, the Board ensured suitability of venue and timing of meeting and undertake other measures to encourage shareholders’ participation in the meetings.</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 last Annual General Meeting (“AGM”) of the Company held on 30 May 2018 was attended by a majority of the Directors. Although not all Directors were present at the AGM, the following key personnel were present in person to engage directly with the shareholders:</p> <ul style="list-style-type: none">a. The late Chairman of the Board, who was also the Chairman of the Nomination Committee and Remuneration Committeeb. The Group Managing Directorc. The Chairman of the Audit Committeed. The Executive Directore. The Independent Non-Executive Directorsf. The Executive Director of HeveaPac Sdn. Bhd. (a wholly-owned subsidiary of HeveaBoard)g. The Chief Financial Officerh. The engagement partners of the External Auditorsi. The Company Secretary <p>During the AGM, an audio-visual showing the progress and performance of HeveaBoard Group was presented to the shareholders. Questions and Answers sessions were opened to shareholders to raise questions before the resolutions were put for voting. The Board members, Executive Directors and Chief Financial Officer received an overwhelming response from the shareholders during the Questions and Answers sessions and various questions and suggestions were raised by shareholders in particular the Group’s future plans, operations and marketing strategies, financial results, its sustainability and etc. All questions were duly answered. The Board and Management acknowledged all concerns and comments raised by the shareholders and accepted all constructive suggestions from the shareholders.</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 12.3

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	:	For the time being, the necessary facilities for voting in absentia or remote shareholders’ participation at General Meetings have not been in place.
		<p>However, the Company has moved towards leverage on technology to facilitate the flow and efficiency of its shareholders’ meeting as well as to ensure accurate outcome of the poll results. At the Company’s 2017’s AGM, the Company had started leverage on technology to facilitate electronic voting (“e-voting”) for the conduct of poll voting on all resolutions proposed at the AGM. Subsequently at the 2018’s AGM, the Company moved one step forward to conduct its poll voting via “Live Voting” which enabled the meeting to proceed with poll voting on each resolution via hand phones/mobile devices immediately after the Questions and Answers session and the poll results were instantly displayed on the screen.</p> <p>Moving forward, the Company will consider leverage on technology to facilitate greater shareholders’ participation in future general meetings and AGMs.</p>
<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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