

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : ILB 5614  
**COMPANY NAME** : Integrated Logistics Berhad  
**FINANCIAL YEAR** : December 31, 2019

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has an experienced Board comprising three Executive Directors and four Independent Non-Executive Directors. The Board of Directors is primarily responsible for charting and reviewing the strategic direction of the Group and delegates the implementation of these directions to the management. The independent non-executive directors are considered independent of any business or other relationship or circumstances that could interfere with the execution of their independent judgement and decision making in the best interests of the Company.</p> <p>The responsibilities of the Board are inclusive of but not limited to:</p> <ol style="list-style-type: none"><li>i. Charting the strategic direction, and setting out short term and long term plans for the Group.</li><li>ii. Promoting ethical and best corporate governance culture in the Group.</li><li>iii. Monitoring and reviewing compliance with internal control policies and risk management systems.</li><li>iv. Monitoring compliance with relevant laws &amp; regulations and accounting standards within the corporate and business environment.</li><li>v. Overseeing and reviewing business operations within a systematic and controlled environment.</li><li>vi. Monitoring the financial performance of the Group.</li><li>vii. Appointing and determining the remuneration, duration and relevant appointment terms of the Executive Directors.</li><li>viii. Assessing the performance of and developing the succession plan for the Executive Directors.</li></ol>

	<p>The Board composition represents a mix of knowledge, skills, and expertise which assist the Board in effectively discharging its stewardship and responsibilities. The profiles of the members of the Board are set out in the Annual Report.</p> <p>The Board had delegated to the CEO and his management team the day to day management of the Group.</p> <p>The responsibilities of the Management of the Group are inclusive of but not limited to:</p> <ul style="list-style-type: none"> <li>i. Chart the strategic direction.</li> <li>ii. Develop short term &amp; long term plans.</li> <li>iii. Monitoring financial results, comparison with budget &amp; analysis of variances.</li> <li>iv. Statutory compliance.</li> <li>v. Highlight to the Board key areas needing attention.</li> <li>vi. Manage Investor relations.</li> <li>vii. Engage adequate &amp; suitable qualified personnel.</li> <li>viii. Uphold Corporate Governance; avoid conflicts of interest &amp; unethical practices.</li> </ul> <p>The CEO, Mr Tee Tuan Sem, and his management team are responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

**Intended Outcome**

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

**Practice 1.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has a clear distinction and separation of roles between the Chairman and the CEO, with clear division of responsibilities. The Board of Directors is headed by Datuk R. Karunakaran, an independent non-executive chairman, who has broad exposure and extensive experience in the international trade and investment arena. As Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the CEO.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The roles of Chairman and Executive Directors are exercised by different individuals. A clear segregation of their responsibilities and powers is stated and defined in the Company's Board Charter. Besides ensuring an appropriate balance of power and authority, the segregation of roles facilitate an open exchange of views and opinions between the Board and the Management in their deliberation of the business, strategies and key operations of the Group.  The Chairman of the Company is Datuk R. Karunakaran, an Independent Non-Executive Director whereas the Chief Executive Officer of the Company is Mr Tee Tuan Sem	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary is a qualified Chartered Secretary (ICSA) and Fellow Member of the Malaysian Institute of Chartered Secretaries (MAICSA) who provide advise and regularly update the Board on good governance, board policies and procedures, administrative matters and corporate compliances. All Directors have unhindered access to the advice and services of the Company Secretary, whose appointment and removal is a matter of the Board as a whole.</p> <p>The Company Secretary also ensures that the Board is kept well informed on any regulatory requirements and update on the developments in the area of corporate governance that affect the duties and responsibilities of the Directors as well as the Company being a public listed company. In this respect, the Company Secretary has attended training and seminars conducted by relevant regulatories to keep abreast with the relevant updates on statutory and regulatory requirements and updates on the MMLR of Bursa Securities.</p> <p>The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares, in accordance with Chapter 14 of the MMLR of Bursa Securities. Deliberations during the Board and Board Committees' meetings were properly minuted and documented by the Company Secretary.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has timely access to relevant information pertaining to the Group. Prior to each Board meeting, the Agenda for the meeting together with comprehensive management reports &amp; proposal papers are furnished to all Directors for their perusal 3 days before the meeting. Directors can obtain further clarifications from the management and the Secretary. Senior management and external advisors may be invited to attend Board Meetings to provide further details, clarifications and/or advise the Board as and when required on matters to be deliberated. Should any Director be unable to attend any Board meeting, he may give his opinion in advance, and such opinion will be considered in the decision making process at the Board meeting.</p> <p>All matters discussed and resolutions passed at each Board meeting are recorded in the minutes of the meeting. These minutes are circulated to all Directors for their confirmation and any Director can request for further clarification on the minutes prior to their confirmation.</p> <p>The members of the Board also evaluate business propositions and corporate proposals that require Board approval. The Board is regularly updated and advised on new regulatory requirements relating to the duties and responsibilities of Directors. Further advice can be obtained from the Company Secretary or from external professionals where necessary.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter sets out the composition, roles and responsibilities and processes of the Board.</p> <p>The Board Charter, which serves as a strategic guidance and effective oversight of management, is also intended to provide a concise overview of:</p> <ol style="list-style-type: none"> <li>1. the roles and responsibilities of the Board, the Chairman, individual directors, the Chief Executive Officer and management.</li> <li>2. delegation of authority by the Board to various committees established in assisting the Board to execute its duties and responsibilities; and</li> <li>3. Board operating procedures and practices pertaining to meetings, training and development, code of conduct and declarations on conflicts of interest.</li> </ol> <p>The Company’s Board Charter is published on the Company’s website.</p>
<b>Explanation for departure</b>	:	  
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

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

**Practice 3.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>This Code of Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following aims:</p> <ol style="list-style-type: none"> <li>1. To establish a standard of ethical behaviour for directors based on trustworthiness and values that can be accepted, are held or upheld by any one person.</li> <li>2. To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administering a company.</li> </ol> <p>The Company’s Code of Conduct and Ethics is published on the Company’s website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

The 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.

<p><b>Application</b> :</p>	<p>Applied</p>
<p><b>Explanation on application of the practice</b> :</p>	<p><b>1. Policy Statement</b></p> <ul style="list-style-type: none"> <li>a. Integrated Logistics Berhad ('ILB') is committed to achieving and maintaining high standards of behavior at work.</li> <li>b. All employees and stakeholders are encouraged to report in good faith genuine concerns about unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements without fear of reprisal.</li> <li>c. ILB views any harassments or retaliations in any form or manner against genuine whistle blowers seriously and will treat such action as gross misconduct, which may lead to dismissal.</li> </ul> <p><b>2. Whistle Blowing</b></p> <ul style="list-style-type: none"> <li>a. Whistle Blowing is a specific means by which a worker or stakeholder can report or disclose through established channels, concerns about unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements.</li> <li>b. Only genuine concerns should be reported under Whistle Blowing procedures. This report should be made in good faith with a reasonable belief that the information and any allegation in it are substantially true, and the report is not made for personal gain. Malicious and false allegations will be viewed seriously and treated as a gross misconduct.</li> </ul> <p>The Company's Whistle Blowing Policy is published on the Company's website.</p>
<p><b>Explanation for departure</b> :</p>	

**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 of independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Company has an experienced Board comprising three Executive Directors and four Independent Non-Executive Directors. The Non-Executive Directors are not employees of the Company and do not participate in the day to day management of the Company. All four Non-Executive Directors, including the Chairman, are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in discussions on the matter. The NRC has reviewed the performance of the independent directors and is satisfied they have been able to discharge their responsibilities in an independent manner.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 4.2

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

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

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	<p>As recommended by the MCG 2017, the tenure of an Independent Director of the Company should not exceed a cumulative term of nine years. An Independent Director may continue to serve the Board subject to re-designation as a Non-Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term of nine years, shareholders' approval will be sought. The Board believes that valuable contributions can be obtained from directors who have, over a period of time, developed valuable insight of the Company and its business. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision making processes of the Board, notwithstanding their tenure on the Board.</p> <p>The Nomination &amp; Remuneration Committee has assessed the independence of Datuk R. Karunakaran, who would have served as an Independent Non-Executive Director of the Company for a cumulative term of 12 years after 1 July 2020, and the Board, upon the Nomination &amp; Remuneration Committee's recommendation, had recommended that he should be retained to continue in office as an Independent Non-Executive Director of the Company, subject to approval from the shareholders of the Company through a two-tier voting process as described in the Guidance to Practice 4.2 of the Malaysian Code of Corporate Governance:</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Not Adopted	
<b>Explanation on adoption of the practice</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board acknowledges the importance of age, nationality, professional background & gender diversity and recognises the benefits that such diversity can bring. The Nomination & Remuneration Committee considers diversity generally when making appropriate appointments to the Board, taking into account relevant skills, ethnicity, age, experience and knowledge. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Company will work towards addressing this as and when vacancies arise and suitable candidates are indentified. The Company's primary responsibility in new appointments to the Board and management must always be to select the best candidates available.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Ms Soh Eng Hooi, female, aged 51, was appointed to the Board as an Independent Non-Executive Director on the 15 May 2018. She graduated from University of Malaya with a Bachelor of Accounting (Honours) in 1994. Ms Soh is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Ms Soh started her career with Arthur Andersen &amp; Co. and was a partner in Baker Tilly Kuala Lumpur, an independent member firm of Baker Tilly International, before she founded E H Soh &amp; Partners, an accounting firm, in 2015.</p> <p>Ms Soh was also appointed as a member of the Audit &amp; Risk Management Committee (ARMC) on 15 May 2018 and subsequently re-designated as the Chairman of ARMC on 1 January 2019. She also sits as an Independent Non-Executive Director of SMRT Holdings Berhad. She does not have any interest in the securities of the Company and has no family relationship with any other Director and/or major shareholder of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination &amp; Remuneration Committee does an annual review of the composition of the Board and makes recommendations to the Board accordingly, keeping in mind the need to meet current and future requirements of the Group.</p> <p>The Committee is satisfied with the current size of the Board and with the mix of qualifications, skills &amp; experience of its Board members. Part of the evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.</p> <p>The Committee is also open to referrals from external sources when Board vacancies arise.</p> <p>The policies and procedures for recruitment and appointment (including re-election/ reappointment) of Directors are set out in the Terms of Reference of the NRC.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

**Practice 4.7**

The Nomination & Remuneration Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nomination &amp; Remuneration Committee comprises the following directors:-</p> <ul style="list-style-type: none"> <li>i. Datuk R. Karunakaran</li> <li>ii. Wan Azfar bin Dato' Wan Annuar</li> <li>iii. Dato' Wan Hashim bin Wan Jusoh</li> </ul> <p>The Chairman of the Committee is Datuk R. Karunakaran, an Independent Non-Executive Director. All the Committee members are Independent Non-Executive Directors.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination &amp; Remuneration Committee (“NRC”) annually performs an assessment of the effectiveness and performance of the Board, Board Committees and individual Directors, in order to verify that the Board is functioning appropriately as a whole. Each Director completed a detailed questionnaires in the Directors’ Performance Evaluation which covered matters relevant to the Board performance, amongst others, contribution to interaction, quality of input, understanding of role and personal developments.</p> <p>An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee’s performance against its Terms of Reference. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company’s ongoing corporate governance practices.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>On a yearly basis, the Nomination &amp; Remuneration Committee (“NRC”) reviews and recommends to the Board the remuneration package of the Executive Directors and Non-Executive Directors. In making its recommendation, the NRC considers various factors including the Non-Executive Directors’ fiduciary duties, time commitments expected of them and the Group’s performance. The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors.</p> <p>The benefits payable to the said Directors shall from time to time be determined by an Ordinary Resolution of the Company in a general meeting in accordance with Section 230 of the Companies Act 2016.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRC had undertaken the following responsibilities during the year under review:</p> <ul style="list-style-type: none"><li>a) Facilitated annual assessment and performance of individual Directors, effectiveness of the Board as a whole and the Board Committees.</li><li>b) Facilitated the annual review of the required skills, experience and other qualities including core competencies which Non-Executive Directors should bring to the Board.</li><li>c) Conducted assessment on Directors who are subject to re-appointment or re-election.</li><li>d) Reviewed the Terms of Reference of the NRC.</li><li>e) Conducted annual assessment on Independent Directors.</li><li>f) Assisted the Board in assessing the training needs of the Directors during the year.</li><li>g) Reviewed and deliberated on the quantum of Directors' fees.</li><li>h) Reviewed annually the performance of the Chief Executive Officer &amp; the Executive Directors and recommended to the Board their remuneration commensurate with their performance and contributions to the Group.</li></ul> <p>A copy of the NRC's Terms of Reference (TOR) is available on the Company's website.</p>

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

## Intended Outcome

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

## Practice 7.1

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

<b>Application</b> :	Applied						
<b>Explanation on application of the practice</b> :	The details of individual Directors' remuneration are as follows:-						
	<b>Company</b>						
	<b>RM'000</b>						
	<b>Salaries</b>	<b>Fees</b>	<b>Bonus</b>	<b>Other Remuneration</b>	<b>Benefits-in-kind</b>	<b>Total</b>	
	<b>Non-Executive Directors</b>						
	Datuk R. Karunakaran	-	108	-	4	7	119
	Wan Azfar bin Dato' Wan Annuar	-	60	-	6	2	68
	Dato' Wan Hashim bin Wan Jusoh	-	60	-	6	-	66
	Soh Eng Hooi	-	90	-	5	2	97
	<b>Executive Directors</b>						
	Tee Tuan Sem	600	-	200	49	91	940
	Makoto Takahashi	240	-	40	-	17	297
	Loh Cheng Keat	210	-	-	26	-	236
	<b>Total</b>	<b>1,050</b>	<b>318</b>	<b>240</b>	<b>96</b>	<b>119</b>	<b>1,823</b>

	<b>Group</b>						
	<b>RM'000</b>						<b>Total</b>
	<b>Salaries</b>	<b>Fees</b>	<b>Bonus</b>	<b>Other Remuneration</b>	<b>Benefits-in-kind</b>		
	<b>Non-Executive Directors</b>						
	Datuk R. Karunakaran	-	108	-	4	7	119
	Wan Azfar bin Dato' Wan Annuar	-	60	-	6	2	68
	Dato' Wan Hashim bin Wan Jusoh	-	60	-	6	-	66
	Soh Eng Hooi	-	90	-	5	2	97
	<b>Executive Directors</b>						
	Tee Tuan Sem	853	-	200	49	91	1,193
	Makoto Takahashi	493	-	40	-	17	550
	Loh Cheng Keat	210	-	-	26	-	236
	<b>Total</b>	<b>1,556</b>	<b>318</b>	<b>240</b>	<b>96</b>	<b>119</b>	<b>2,329</b>
<b>Explanation :</b> <b>for departure</b>							
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
<b>Measure :</b>							
<b>Timeframe :</b>							

**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company had disclosed the names of the top five senior management's remuneration in bands of RM50,000.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit &amp; Risk Management Committee oversees the integrity of the financial statements, compliance with relevant accounting standards and the group's risk management and internal controls. The Committee comprises the following Independent Non-Executive Directors:-</p> <ol style="list-style-type: none"><li>1. Soh Eng Hooi (<i>designated as Chairman on 01-01-2019</i>)</li><li>2. Wan Azfar bin Dato' Wan Annuar</li><li>3. Dato' Wan Hashim bin Wan Jusoh</li></ol> <p>The chairman of the Audit &amp; Risk Management Committee, Ms Soh Eng Hooi, is not the Chairman of the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Audit & Risk Management Committee does not include any former key audit partner of the firm of external auditors.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Assessment of External Auditors</b></p> <p>The Board has a formal and transparent relationship with the external auditors. The ARMC recommends to the Board on the appointment of the external auditors which is subject to the approval of shareholders at the AGM whilst their remuneration is determined by the Board. The role of the ARMC is further set out in their Report. The Board has private sessions and dialogues through the ARMC with the external auditors, in the absence of the executive directors and the management. For the year under review, there was one dialogue session with the external auditors.</p> <p>It is the practice of the ARMC to conduct an annual assessment of the external auditor. Areas of assessment include among others, the external auditor's objectivity and independence, size and competency of the audit team, audit strategy, audit reporting, partner involvement and audit fees. In support of the assessment on independence, the external auditors provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. Premised on the assessment result, the ARMC will make recommendations for re-appointment of external auditors accordingly.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<b>Board Committees</b>  The Company has two Board Committees, namely the Audit & Risk Management Committee and the Nomination & Remuneration Committee to assist the Board. They are delegated specific functions and are governed by their Terms of Reference. Both Committees consist of Independent Non-Executive Directors and submit their respective reports and minutes to the Board.

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b> :	Applied		
<b>Explanation on application of the practice</b>	<b>Name of Directors</b>	<b>Date</b>	<b>Seminar / Training Course Title</b>
	Datuk R. Karunakaran	5 March 2019	PNB Leadership Forum
		19 March 2019	Invest Malaysia Kuala Lumpur (IMKL 2019)
		29 May 2019	Etiqa Insurance & Takaful Board Risk Workshop
		26 July 2019	Maybank 2019 Annual Risk Workshop
		28 August 2019	1) Board Effective Assessment 2) Malaysia Code of Corporate Governance 2017
		18 & 19 September 2019	Ageas Partnership Presentation  1) Thinking Globally, Acting Differently, the Key to Competitiveness 2) The Partnership with BNP Paribas Fortis 3) Open Banking at BNP Paribas Fortis 4) Why Business Experimentation is Essential for Competitive Advantage 5) Responsible Technology
		30 September 2019	1) Malaysia Economic and Market Outlook 2) Including Low Latency Non-Directional Trader, Market Makers and Liquidity Providers in an Exchange Ecosystem 3) Market Opportunities for Digital Assets in Asia
		7 October 2019	Presentation by NASDAQ, Modernisation of Post Trade Infrastructure
		18 November 2019	YTI Memorial Lecture : The Diverse Facets of Leadership
20 November 2019		MSCI Seminar on Investing Trends and Opportunities	

		28 August 2019	1) Board Effective Assessment 2) Malaysia Code of Corporate Governance 2017
	Dato' Wan Hashim bin Wan Jusoh	28 August 2019	1) Board Effective Assessment 2) Malaysia Code of Corporate Governance 2017
	Wan Azfar bin Dato' Wan Annuar	23 August 2019	The Convergence of Digitisation and Sustainability
		28 August 2019	1) Board Effective Assessment 2) Malaysia Code of Corporate Governance 2017
	Soh Eng Hooi	20 February 2019	Blockchain for Accountants Awareness Workshop
		30 April 2019	MIA's Engagement Session with Audit Committee Members on Integrated Reporting
		6 August 2019	Introduction to Cloud Accounting for Professional Firms
		7 August 2019	SAP Business One
		15 August 2019	Demystifying The Diversity Conundrum : The Road to Business Excellence
		28 August 2019	1) Board Effective Assessment 2) Malaysia Code of Corporate Governance 2017
		10 September 2019	Biological Assets - MFRS 141/MPERS S34
		19 September 2019	Valuation in Practice for Transactions and Reporting: Part 2 - Valuation for Business Combination
		15 October 2019	Evaluating effective Internal Audit Function - Audit Committee Guide
		17 October 2019	CAANZ - MICPA Audit Forum 2019 : The Future of Audit
		11 November 2019	ISQM : Another Tsunami of Change for Auditors ?
		2 - 7 December 2019	UNCTAD Entrepreneurship Training Workshop
		9 - 12 December 2019	UNCTAD Training of Trainers workshop on Empretec for Participants with low literacy
	Tee Tuan Sem	28 August 2019	1) Board Effective Assessment 2) Malaysia Code of Corporate Governance 2017
	Makoto Takakashi	28 August 2019	1) Board Effective Assessment 2) Malaysia Code of Corporate Governance 2017
	Sam Loh Cheng Keat	28 August 2019	1) Board Effective Assessment 2) Malaysia Code of Corporate Governance 2017
<b>Explanation for</b>			

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

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b><u>RECOGNISE AND MANAGE RISK</u></b></p> <p>ILB has in place its established Risk Management Policy, which reflects the framework for Enterprise-wide Risk Management and Internal Control System. Such framework states the Company's level tolerance for risk, and process in place to identify, assess and monitor key business risks arising from the existing environment and foreseeable future event in achieving the company's corporate objectives, safeguarding the company's assets, as well as shareholders' investments / interest.</p> <p>Through regular reporting on risk management and internal control (i.e., yearly / quarterly), the ARMC reviews, deliberates and evaluates the effectiveness and efficiency of the risk management and internal control systems in the organization which are designed to manage and mitigate rather than eliminate risks.</p>
<b>Explanation for departure</b>	:	



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

<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

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

### **Practice 9.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>RISK MANAGEMENT FRAMEWORK</b></p> <p>The Group has in place processes for the identification, evaluation, reporting, treatment, monitoring and review of the major strategic, operational, financial and compliance risks within the Group, covering both wholly and partially owned subsidiaries (excluding associates and jointly controlled entities).</p> <p>For the period under review, the ARMC is assisted by the Chief Risk Officer, Internal Audit Department, and the outsourced independent professional service provider - NGL Tricor Governance Sdn Bhd ("NTG") and maintained an independent reporting on risk management and internal controls. The framework is continually monitored to ensure it is responsive to the changes in the Group's Corporate Structure.</p> <p>The key features of the ILB's risk management and internal control framework, which cover their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control in the 2019 Annual Report.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 9.3 - Step Up

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit & Risk Management Committee oversees the integrity of the financial statements, compliance with relevant accounting standards and the group's risk management and internal controls. The Committee comprises the following Independent Non-Executive Directors:-  <ol style="list-style-type: none"><li>1. Soh Eng Hooi (Designated as Chairman on 01-01-2019)</li><li>2. Wan Azfar bin Dato' Wan Annuar</li><li>3. Dato' Wan Hashim bin Wan Jusoh</li></ol>

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>COMPOSITION</b></p> <p>The internal audit function of the Group is outsourced to independent professional service provider, NGL Tricor Governance Sdn Bhd (“NTG”). NTG conducted its review by referring to a recognised framework for internal auditing and reported the followings directly to Audit and Risk Committee:</p> <ul style="list-style-type: none"> <li>a) Annual internal audit plan; and</li> <li>b) Adequacy and effectiveness of internal control system put in place by the Board of Directors and the management.</li> </ul> <p>The Audit and Risk committee has:</p> <ul style="list-style-type: none"> <li>a) Evaluated the competency and resources of NTG in carry out the internal audit function;</li> <li>b) Adopted the annual internal audit plan</li> <li>c) Reviewed the internal audit reports to ascertain the adequacy and effectiveness of internal control system.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has outsourced its internal audit function to NGL Tricor Governance Sdn Bhd (“NTG”). The internal audit personnel assigned by NTG are free from any relationships or conflicts of interest, which could impair their objectivity and independence pursuant to the written declaration made by them.</p> <p>The Outsourced IA Firm assigned four (4) personnel to provide internal audit services to the Group.</p> <p>The managing director of NTG, Mr. Chang Ming Chew, is overseeing the outsourced internal audit function. Mr. Chang is a Certified Internal Auditor, holds a Certification in Risk Management Assurance, and a member of the Institute of Internal Auditors Malaysia, the Association of Chartered Certified Accountants (UK), and the Malaysian Institute of Accountants.</p> <p>NTG conducted its review by referring to a recognised framework, the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<b>STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS</b>  The Annual General Meeting is the principal forum for dialogue and interaction with the shareholders. The Board is committed to provide shareholders with comprehensive and timely information about the Group's activities and performance to enable investors make informed decisions. Shareholders are encouraged to attend Annual General Meetings and use the opportunity to ask questions on resolutions being proposed and on the progress, performance and future prospects of the company. The Chairman and Board members, with the assistance of the external auditors, are responsible to respond and provide explanations on matters raised.  Information on the Group's activities is provided in the Annual Report and Financial Statements which are despatched to shareholders. The Company also encourages shareholders and investors to access online the company's Annual report and up to date announcements, which are made available at the Bursa Malaysia website and the company's own website at <a href="http://www.ilb.com.my">www.ilb.com.my</a>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	ILB is not a Large Company as defined in the MCCG 2017. Thus, the practice is not applicable. Nonetheless, the Company would consider adopting integrated reporting based on globally recognised framework when the Company becomes a Large Company.

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	In accordance with the recommendations of the MCCG 2017, the Company gives its shareholders at least 28 days prior notice of the AGM of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The whole Board of Directors attends the Annual General Meetings of the Company. The Chairmen of the Audit & Risk Management and Nomination & Remuneration Committees provide meaningful responses to questions addressed.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Annual General Meeting is an essential platform for the shareholders to meet and exchange views with the Board.	
		<p>Currently, all resolutions put forth are voted by the members present personally. For shareholders whom are unable to attend and vote at the Annual General Meeting of the Company are encourage to submit the proxy form to the Share Registrar and this allows them to vote in absence.</p> <p>Moving forward, the Company will consider leveraging on technology to facilitate grater shareholders’ participation in Annual General Meeting.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		