

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7205
COMPANY NAME : COCOALAND HOLDINGS BERHAD
FINANCIAL YEAR : December 31, 2017

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.

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| Application | : Applied |
| Explanation on application of the practice | : The Board has primary responsibility for the governance and management of the Group, and fiduciary responsibility for the financial and organisational health of the Group. The key roles and responsibilities of the Board include: (i) Ensuring that the Group's goals are clearly established, the necessary resources are in place for the Group to meet its objectives and that a strategic plan, which promotes long-term value creation and includes strategies on economic, environmental, safety and health, social and governance consideration underpinning sustainability, are in place to achieve them; (ii) Establishing policies for strengthening the performance of the Group including ensuring that management is proactively seeking to build the business through innovation initiative, technology, new products and the development of its business capital; (iii) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed. This includes ensuring the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard its assets; (iv) Appointing the Managing Director/Executive Director, including setting the relevant terms and objectives and where necessary, terminating his employment with the Group; (v) Ensuring that the Group has appropriate business risk management framework and corporate governance framework, including adequate control environment be it the internal control systems and |

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| | <p>management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;</p> <p>(vi) Appointing board committees to address specific issues, considering recommendations of the various board committees and discussing problems and reservations arising from these committees' deliberations and reports;</p> <p>(vii) Ensuring that the statutory financial statements of the Company and Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;</p> <p>(viii) Ensuring that there is in place an appropriate succession plan for members of the Board and Senior Management;</p> <p>(ix) Ensuring that the Group adheres to high standards of ethics and corporate behavior in accordance with the Group's Code of Corporate Conduct including transparency in the conduct of business;</p> <p>(x) Reviewing the Board Charter periodically and making it available publicly on the Company's website including the Terms of Reference ("TOR") which deals with the respective committees such as Audit and Risk Management Committee, Remuneration Committee and Nominating Committee;</p> <p>(xi) Ensuring that there is in place an appropriate corporate disclosure policy and procedure which leverage on information technology for effective and timely dissemination of information which are comprehensive and accurate; and</p> <p>(xii) Ensuring that there is in place an appropriate investor relations and communications policy which encourages shareholders' participation at general meetings and promotes effective communication and proactive engagements with shareholders.</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

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Company has a Chairman whose primary role is to preside over the Board meetings and ensure the smooth functioning of the Board in the interest of good corporate governance. | |
| Explanation for departure | : | | |
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| <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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The roles of Chairman and Executive Directors are clearly separated to ensure that there is an appropriate balance of power and authority at the Board level. The roles of both positions are clearly distinct to ensure no individual has unrestricted decision-making power. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.4

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company Secretaries, namely Ng Heng Hooi, Wong Mee Kiat and Yap Foo Teng are members of relevant professional bodies recognised under the Companies Act 2016.</p> <p>The Company Secretaries are responsible for ensuring that the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretaries will also advise the Board on any new statutory requirements, guidelines and listing rulings relating to corporate governance as and when it arises.</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 1.5

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>Board meetings are scheduled in advance and Board members receive meeting materials at least one week prior to every meeting to enable the Directors to have sufficient time to review the Board papers.</p> <p>All matters discussed and resolutions passed at each Board meeting are recorded in the minutes of the meeting. The minutes are circulated to all Directors in a timely manner upon conclusion of the meeting for review and the signed board minutes are entered in minute books kept by the Company Secretary.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 2.1

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

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board Charter sets out the composition and balance, roles and responsibilities and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.</p> <p>The Board Charter shall be reviewed by the Board as and when required to ensure its relevance in assisting the Board to discharge its duties with the changes in the corporate laws and regulations that may arise from time to time and to remain consistent with the Board's objectives and responsibilities.</p> <p>The Board Charter is published on the Company's website at www.cocoaland.com</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Group's Codes of Conduct and Ethics ("the Code") govern the standards of conduct and behaviour expected from the Directors and the employees in all aspects of the Group's operations. To ensure its compliance with the Code, the Board and the Senior Management will ensure all level of officers are properly communicated and informed through emails, notice board or corporate website. The Code is published on the Company's website at www.cocoaland.com |
| 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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Group is in the process of adopting a whistleblowing policy and procedure that will allow employees and any external stakeholders to report cases in relation to breach of any legal obligation of the Group. | |
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| <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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>The Board comprises of 5 Executive Directors, 2 Non-Independent Non-Executive Directors and 3 Independent Non-Executive Directors. Half of the Board members comprises non-executive directors who are not involved in the day-to-day management of the Group's business.</p> <p>The Board is of the view that having 50% of Non-Executive Directors on the Board provides reasonably effective checks and balances within the Board. The Board is of the opinion that a balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.</p> | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.2

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Dato' Azman bin Mahmood and Mr Chow Kee Kan both have served as Independent Non-Executive Directors for a cumulative term of more than 12 years. Following an assessment and recommendation by the Nominating Committee, the Board has recommended both the directors to continue to act as Independent Non-Executive Directors of the Company, subject to shareholders' approval at the forthcoming Annual General Meeting ("AGM") of the Company, based on the following justifications:-</p> <ul style="list-style-type: none">• They fulfil the criteria under definition on independent director as stated in the Listing Requirements of Bursa Securities; and hence, they would be able to provide an element of objectivity, independent judgment and balance to the Board;• Their experiences in the financial and other relevant sections enable them to provide the Board and Board Committees with pertinent expertise, skills and competence; and• They have been with the Company since 2004 and therefore understand the Company's business operations which enable them to contribute actively and effectively during deliberations or discussions at Board and Board Committee meetings. <p>The Company would be seeking the shareholders' approval to retain Dato' Azman bin Mahmood and Mr. Chow Kee Kan as the Independent Non-Executive Directors through a two-tier voting process at the forthcoming AGM.</p> |
| Explanation for departure | : | |

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

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| Measure : | | |
| Timeframe : | | |

Intended Outcome

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

Practice 4.3 - Step Up

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

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

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

Practice 4.4

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Company has the Nominating Committee who evaluates and recommends any appointment of Board member and Senior Management.</p> <p>The Nomination Committee considers the following criteria for the appointment and recruitment process and annual assessment of the Board and the Senior Management:</p> <ol style="list-style-type: none"> 1. Skills, knowledge, expertise, experience; 2. Character and behaviours; 3. Competencies, commitment, contribution and performance; 4. Potential conflict of interest situations; and 5. Gender Diversity | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.5

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

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Company currently has no specific policy on gender for Board appointment. | |
| | | The Board adheres to the practice of non-discrimination of any form, whether based on age, race, religion or gender, throughout the Group. This includes the selection of Board members. The Company believes in, and provides equal opportunity to candidates with merit. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.6

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | For appointment of independent non-executive directors, the Board has taken into account the mix of skills, expertise and experience including from those outside the circle of the Group's core business through referral from independent parties. | |
| 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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Nominating Committee is chaired by Mr. Chow Kee Kan who is an Independent Non-Executive Director of the Company. | |
| Explanation for departure | : | | |
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| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Nominating Committee (“NC”) annually reviews the effectiveness and composition of the Board and Board Committees in order to ensure the Board and Board Committees have the requisite competencies and capacity to effectively oversee the overall business and carry out their respective responsibilities.</p> <p>The annual evaluation of the Board and Board Committees were performed by the NC via the relevant assessment forms adopted from the Corporate Governance Guide comprising questionnaires pertaining to the Director’s knowledge and skills, participation, contribution and performance, caliber and personality.</p> <p>The NC also assessed the independence of the Independent Directors, each of the Independent Directors annually provides the NC with their Self-Assessment Independence Checklist.</p> <p>The results of annual evaluation were tabled to the Board for notification.</p> <p>The results of the assessment indicated that the performance of the Board, the Board Committees and the individual Directors during the review period had been good and they had been effective in their overall discharge of functions and duties.</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

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has in place policy and procedures to determine the remuneration of directors and senior management which are reviewed periodically. The Company's framework on Directors' remuneration has the underlying objectives of attracting and retaining the Directors of high calibre needed to run the Group successfully. However the remuneration policies are not available on the company's website due to the sensitive nature.</p> <p>In the case of the Executive Directors and senior management, the various components of the remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Non-Executive Director concerned. Where applicable, the Board also takes into consideration any relevant information from survey data.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.2

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Remuneration Committee (“RC”) is responsible to review and ensure fair remuneration policies and procedures are in place to attract and retain the Directors and the Senior Management.</p> <p>The RC reviews and recommends to the Board on remuneration and personnel policies, compensation and benefits programmes with the aim to attract, retain and motivate individuals of the highest quality. The remuneration should be aligned with the business strategy and long-term objectives of the Company, and to reflect the Board’s responsibilities, expertise and complexity of the Group’s activities. The RC shall be appointed by the Board and shall comprise exclusively non-executive directors with a majority of independent directors.</p> <p>Terms of Reference of the RC which deals with its authority and duties are disclosed on the company’s website www.cocoaland.com</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

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | Detail disclosure on named basis for the remuneration of individual directors is set out in the Corporate Governance Overview Statement of Company's Annual Report. The remuneration breakdown of individual directors includes fees, salaries, bonuses, statutory contributions and other benefits. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 7.2

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

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Company had disclosed the top four Senior Management's remuneration component in band widths of RM50,000 on aggregate basis in the Corporate Governance Overview Statement of the Company's Annual Report.</p> <p>In the view of Board, the disclosure of the remuneration of key executives on a named basis with specific remuneration components would not be in the best interest of the Company due to confidentiality concerns. This is because the Company operates in a highly competitive industry.</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.

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| 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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman of the Audit and Risk Management Committee ("ARMC"), Mr. Chow Kee Kan, is not the Chairman of the Board. | |
| Explanation for departure | : | | |
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| <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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | There is no policy with regard to limitation on appointment of former key audit partner as an independent director currently. | |
| | | None of the existing independent directors are former key audit partner of the Company and its subsidiaries. The Board will consider adopting this policy in the future. | |
| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The ARMC has an appropriate and transparent relationship with the external auditors and will undertake an assessment of the suitability, objectivity, technical competence and independence of external auditors on annual basis. It includes the following: <ol style="list-style-type: none">1. the competence, audit quality and resource capacity of the external auditor in relation to the audit;2. the nature and extent of the non-audit services rendered and appropriateness of the level of fees; and3. obtaining assurance from 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. |
| 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.

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | The ARMC comprising Mr. Chow Kee Kan, Tan Sri Dato' Sri Koh Kin Lip and Lim Yew Hoe. The ARMC Chairman, Mr. Chow Kee Kan is a member of the Malaysian Institute of Accountants. All the ARMC members are financially literate and constantly undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules via participation at seminars, conferences and briefings by external auditors. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.1

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

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|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board and the ARMC worked closely with the Senior Management to identify, evaluate, manage and report major risks that affecting the Company and its subsidiaries ("the Group") as well as the measures taken, and also to review the adequacy and effectiveness of the internal control on an ongoing basis. The Board is of the view that the system of internal control and risk management in place during the financial year, is sound and sufficient to safeguard the Group's assets and the interests of various stakeholders.</p> <p>The Board has delegated the responsibility for the review of the risk management and internal control system to the ARMC. The ARMC considers significant control matters, receives regular reports from the internal auditor, and reports its findings and conclusions to the full Board in a quarterly basis.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.2

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board, through the ARMC with the assistance of the Risk Steering Committee (“RSC”), reviewed the Group’s documented risk management policy and framework while continually update, identify, assess and manage the various risk factors that could have a potentially significant impact on the Group’s current, mid- to long-term business objectives.</p> <p>The Group’s risk management policy and framework was established with reference to ISO 31000 Risk Management Principles and Guidelines. Furthermore, through the establishment of a quality management system under ISO9001: 2015, the Group reinforced its implementation of a systematic approach to considering risk.</p> <p>The RSC, chaired by an Executive Director of the Group, comprised of the Accountant and Quality Compliance Manager as the joint secretaries; other Executive and Non-Executive Directors, Managers and Heads of Departments whom participated as members of the committee.</p> <p>The RSC conducted two (2) risk management meetings annually to systematically identify, assess and evaluate the significant risks of the Group against a defined risk appetite, and thereafter, formulate and/or update their mitigating strategies / action plans to address these key business risks.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.3 - Step Up

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

| | | |
|--|---|---|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | The Board has established ARMC comprising only non-executive directors with a majority of independent directors. The ARMC is supported by the Risk Steering Committee comprising management who are involved in the identification, mitigation, documentation and reporting of the risks. |

Intended Outcome

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

Practice 10.1

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The internal audit function is outsourced to an external professional firm to assist the Board and the ARMC in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's risk management and internal control system.</p> <p>The internal audit function reports directly to the ARMC on the effectiveness of the Company's and subsidiaries' risk and control management and recommends improvements. The audits performed by the internal auditor utilizes risk-based audit plans approved by ARMC.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 10.2

The board should disclose—

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board has outsourced the internal audit function of the Group to CGRM Infocomm Sdn Bhd (“CGRM”) who reports directly to the ARMC. CGRM is headed by the Executive Director, Ms. Jasmine Lee Huay Ling, is free from any relationships or conflict of interest which could impair their objective and independence. Ms. Jasmine Lee is a Chartered Member of the Institute of Internal Auditors, Malaysia and holds the prestigious professional qualification of a Certified Internal Auditor which carries the designation of CIA as well as the Certified Risk Management Assessor qualification, both accorded by the Institute of Internal Auditors, USA (IIA Inc). Additionally, she is also a trained and fully qualified Quality Assurance Review Assessor of the Institute of Internal Auditors, USA (IIA Inc).</p> <p>The Internal audit reviews of the Group were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the risk-based audit plan approved by the ARMC.</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 recognises the importance of effective, transparent and timely dissemination of information to shareholders and investors to ensure that they are well informed of all major developments of the Company and the Group. Such information is communicated to shareholders and investors through various disclosures and announcements to Bursa Securities, including the quarterly financial results, annual reports and where appropriate, circulars and press releases.</p> <p>The Company makes use of a broad range of communication channels to disseminate information regarding the Company. The communication channels would include public announcement via Bursa Securities, corporate website, road shows or events and general meetings of the Company.</p> <p>Apart from the announcements made through Bursa Securities, the Company also provides the Group's corporate and non-financial information including the Company's policies, corporate governance, Board Charter as well as Terms of Reference of Board Committees at the Company's website: www.cocoaland.com</p> <p>The notices of general meetings and key matters discussed at general meetings are also made available on the Company's website.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

There is 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 | : | Not applicable as the Company is not one of the large companies as defined in the Malaysia Corporate Governance Code. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.1

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The notice for the upcoming Annual General Meeting (“AGM”) was provided to shareholders on 30April 2018, more than 28 days’ notice for holding the Company’s AGM on 30 May 2018. | |
| 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 | : | All Directors have confirmed their attendance for the upcoming AGM to be held on 30 May 2018, barring unforeseen circumstance. Their presence provide opportunity to shareholders to raise questions if addressed to them. | |
| 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 | : | The AGM is usually held in Kuala Lumpur City Centre. The same venue is utilized for the past years as it is easily accessible. | |
| | | | |
| <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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