

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7854  
**COMPANY NAME** : TIMBERWELL 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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Timberwell Berhad has full control of and is responsible for the Group's overall strategy, formulation of policies, annual budget, review of financial and operational performance and internal control.</p> <p>The Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter.</p> <p>The Board acknowledges the essential of ensuring that the Company's strategies promote sustainability. As in the timber industry, the Board is strongly aware of the importance of balancing of environmental, social and governance aspect with the interest of various stakeholders is essential to enhancing investors' perception and public trust.</p> <p>The Board has set the Management authority limit and retained its authority of approval on significant matters. The Board has also formalised its responsibilities and functions as well as the division of responsibilities and powers between the Board, Management and Board Committees in its Board Charter. This Board Charter also provides a basis to the Board in assessing its own performance and that of its individual directors. Key matters such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board.</p> <p>As set out in Board Charter, the Board, whilst supportive of the Management, must:-</p> <ul style="list-style-type: none"><li>• approve and proactively participate in strategic decisions.</li><li>• ensure the Board adheres to its fiduciary obligation;</li><li>• challenge management with questions based on informed knowledge;</li><li>• oversee management's plans, decisions, and actions;</li><li>• monitor management's ethical conduct, financial reporting and regulatory compliance;</li></ul>

	<ul style="list-style-type: none"> <li>• play a critical role in ensuring sound and prudent policies and practices of the Company;</li> <li>• be capable of effectively achieving good governance and protecting the interests of shareholders;</li> <li>• to ensure there is a sound framework for internal control and risk management; and</li> <li>• set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.</li> <li>• establishing a succession planning for Board and Senior Management, including the implementation of appropriate systems for recruiting, training and determining the appropriate compensation benefits; and</li> <li>• to promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior.</li> </ul> <p>The Board, through the Audit Committee, Risk Management Committee and other relevant Committee, provides effective oversight of the Management’s performance, risk assessment and controls over business operations, and compliance with regulatory requirements.</p> <p>The responsibility for the operation and administration of the Group is delegated by the Board to the Chief Executive Officer (“CEO”) and Management.</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 1.2

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>	:	<p>Dato' Seri Abdul Azim Bin Mohd Zabidi, who is the Independent Non-Executive Director was appointed as the Chairman of the Board on 28 August 2006.</p> <p>He as an Independent Non-Executive Directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment. Independent Non-Executive Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, in the interest of shareholders as well as stakeholders.</p> <p>The task of the Chairman includes leading the Board in the oversight of management whilst the CEO focuses on the business and day to day management of the Group.</p> <p>The Chairman is responsible for the integrity and effectiveness of the Board as a whole. He conducts Board meetings and ensures that it proceeds in an orderly manner.</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 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board is Dato' Seri Abdul Azim Bin Mohd Zabidi and the Group CEO is Datuk Pau Chiong Ung and they are not related to one another.</p> <p>The position of the Chairman and CEO is held by different individuals, accordingly there is a clear division of responsibilities between the Chairman and CEO to ensure that there is a continued balance of power and authority.</p> <p>The CEO is responsible for the implementation of broad policies approved by the Board and he is obliged to report to the Board and discuss with them at Board Meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory developments. He is supported by management and the Group Accountant.</p> <p>The sound operation of the Company depends critically on its CEO. Thus, he must be able to devote his full attention and time to discharge his duties and responsibilities effectively and diligently.</p> <p>As the CEO is directly responsible for the day-to-day operations of the Company, he must be familiar with the operations of the Company, the state of internal controls, requirements of regulations, as well as current issues and policies affecting the industry in general. He must also have the necessary knowledge and professional competence in the conduct of the Company's business.</p> <p>The details of the role and functions of the Chairman and CEO are stated in the Board Charter which is available in the Company's website <a href="http://www.timwell.com.my">http://www.timwell.com.my</a></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>	:		
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### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by suitably qualified and competent Company Secretaries who are members of the Malaysian Institute of Chartered Secretaries and Administrators and Licensed Secretary of Companies Commission of Malaysia.</p> <p>The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively.</p> <p>The Board is regularly updated and apprised by the Company Secretary on the current governance practices and new regulation issued by the regulatory authorities.</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 meets on a quarterly basis, with additional meetings convened as and when necessary. All the proceedings at the Board meetings are properly minuted and signed by the Chairman. The Board follows formal schedules for meeting and all the Board members are adequately provided with status report and Board papers to assist them to make the best decisions in the best interest of the Company at all times. The Board papers include, among others, the following documents or information:</p> <ul style="list-style-type: none"><li>• Reports of meetings of committees of the Board including matters requiring the full Board's deliberation and approval;</li><li>• Performance reports of the Group, which include information on financial, strategic business issues, major operational issues and updates; and</li><li>• Board papers for other matters for discussion/approval.</li></ul> <p>Management and professional advisors may be invited by the Board, should there be a need, for information or advice on matters that require expert knowledge.</p> <p>The Company Secretary were entrusted to record the Board's deliberations, in terms of the issues discussed and the conclusions. The minutes of the previous Board meeting is distributed to the Directors prior to the Board meeting for their perusal before confirmation of the minutes at the commencement of the following Board meeting. The Directors may comment or request clarification before the minutes are tabled for confirmation as a correct record of the proceedings of the meeting. The Company Secretary also ensure that there is good information flow within the Board and between the Board, Board Committees and the Management.</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 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 serves to ensure that all Board members acting on the Group's behalf are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with Corporate Governance principles.</p> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.</p> <p>The Board Charter is accessible for reference on the Group's website, <a href="http://www.timwell.com.my">http://www.timwell.com.my</a></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 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>The Code of Ethics and Conduct serves as a formal commitment by Directors, Management and Employees to conduct themselves professionally at all times and to do business in a transparent, appropriate and fair manner. The Code of Ethics and Conduct is available on the Group's website at <a href="http://www.timwell.com.my">http://www.timwell.com.my</a></p> <p>The Board reviews the Code of Ethics and Conduct periodically or as and when the need arises to ensure it is kept contemporaneous.</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 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group is committed in preserving and protecting the interest and reputation at all times. In this respect, the Whistleblowing Policy was established.</p> <p>The main objective of the Whistleblowing Policy is to provide guidelines for the reporting and investigation for any wrongdoings. The Whistleblowing Policy is accessible in the Group's website at <a href="http://www.timwell.com.my">http://www.timwell.com.my</a></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 4.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board comprises six (6) members of whom one (1) is Executive Directors and five (5) are Independent Non-Executive Directors. Thus, the Board has a majority presence of Independent Directors to bring objectivity to the oversight function of the Board.	
<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 - Two Tier Voting
<b>Explanation on application of the practice</b>	:	<p>The Company had adopted the recommendation of the Malaysian Code on Corporate Governance 2017 that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. The Board will seek shareholders' approval in the event that a Director, who has served in that capacity for more than nine (9) years, retains as Independent Director. For a Director retained as an Independent Director after the twelfth (12) year, the Board shall seek shareholders' approval annually through a two-tier voting process as provided under the Malaysian Code on Corporate Governance 2017.</p> <p>The Nomination &amp; Remuneration Committee ("NRC") had reviewed and recommended to the Board for Dato' Seri Abdul Azim Bin Mohd Zabidi and Datuk Yap Pak Leong, who had served the Company for the tenure of more than twelfth (12) years to continue to serve as Independent Directors of the Company, subject to annual shareholders' approval through a two-tier voting process as stipulated in the Malaysian Code on Corporate Governance 2017.</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 4.3 - 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>	:	

**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 Company has adopted a Board Diversity Policy and strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs 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

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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board currently comprises six (6) members, out of which one (1) is a female Director, representing the Board's composition.	
		Nonetheless, the Board is supportive of gender diversity in the Board composition as recommended by the Malaysian Code on Corporate Governance 2017 and will endeavour to consider suitably and qualified female candidates when it comes to the appointment of Directors.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Board endeavours to reach the 30% target by 2020.	
<b>Timeframe</b>	:	Others	2020

### 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 NRC is responsible for identifying and recommending suitable candidates for Directorships to the Board. The NRC leverages on several sources and gain access to a wide pool of potential candidates. The responsibilities of the NRC are outlined in the Terms of Reference.</p> <p>In evaluating potential candidates, the NRC will access directorship suitability based on objective criteria, including:</p> <ul style="list-style-type: none"> <li>• Qualifications;</li> <li>• Required competencies, skills, expertise and experience;</li> <li>• Specialist knowledge or technical skills;</li> <li>• Professionalism and Integrity; and</li> <li>• Commitment to the Company.</li> </ul> <p>The NRC may also receive suggestions from existing Board members, Management, and major shareholders. The NRC is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> <p>To ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively, the criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships of more than five (5) public listed companies (as prescribed in Paragraph 15.06 of the MMLR of Bursa Securities).</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 Nominating 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 NRC is chaired by the Senior Independent Non-Executive Director, Datuk Yap Pak Leong. The membership of the NRC is all Independent Non-Executive Director as outlined below:</p> <ol style="list-style-type: none"><li>1) Datuk Yap Pak Leong' (Senior Independent Non-Executive Director)</li><li>2) Madam Agnes Soei-Tin Lamey (Independent Non-Executive Director)</li><li>3) Mr Melton Martin (Independent Non-Executive Director)</li></ol> <p>The detailed terms of references of the NRC is made available on the Company's website <a href="http://www.timwell.com.my">http://www.timwell.com.my</a></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 Board reviews and evaluates its own performance and the performance of its Committees on an annual basis to ensure the Board effectiveness and the individual Directors are capable and qualified to lead and contribute towards the Company's growth. The Board evaluation comprises a Board Assessment, an Individual (Self &amp; Peer) Assessment and an Assessment of Independence of Independent Directors.</p> <p>The assessment on the Board and Board Committee is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.</p> <p>For Individual (Self &amp; Peer) Assessment, the assessment criteria includes contribution to interaction, quality of inputs, understanding of roles and the Chairman's roles.</p> <p>The results of the assessment would form the basis of the Nomination and Remuneration Committee's recommendation to the Board for the re-election and re-appointment of Directors at the next Annual General Meeting.</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>The NRC is responsible for developing the remuneration policy and determining the remuneration packages of the Directors so as to ensure that it attracts and retains the suitable directors to lead, control and manage the Group effectively. In the case of CEO, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.</p> <p>Directors’ fee and/or their remuneration are/is recommended by the Board for the approval by shareholders of the Company at the Annual General Meeting (“AGM”).</p> <p>Other than the CEO, all Directors are paid a fixed fee and receive meeting allowance for each Board Meeting they attended. The Chairman is paid at higher fee compared to other Board members in recognition of his additional responsibilities.</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 6.2

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 Company has a combined Nomination Committee and Remuneration Committee for the purpose of expediency since the same members are entrusted with the functions of both the Committees. The members of the NRC are mindful of their dual roles, which are clearly reflected and demarcated in the Agendas of each meeting.</p> <p>The membership of the NRC is all Independent Non-Executive Director as outlined below:</p> <ol style="list-style-type: none"><li>1) Datuk Yap Pak Leong (Senior Independent Non-Executive Director)</li><li>2) Madam Agnes Soei-Tin Lamey (Independent Non-Executive Director)</li><li>3) Mr Melton Martin (Independent Non-Executive Director)</li></ol> <p>The NRC reviews the remuneration of the Board and Senior Management from time to time with a view to ensuring the company offers fair compensation and is able to attract and retain talent who can add value to the Company.</p> <p>The term of reference of the NRC was reviewed and updated on 28 March 2018 to correspond to the amendments Main Market Listing Requirements ("MMLR") in relation to the Disclosure and Corporate Governance requirements. The detailed terms of references of the NRC is made available on the Company's website <a href="http://www.timwell.com.my">http://www.timwell.com.my</a></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 remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments are disclosed on named basis in the Annual Report 2017.	
<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 7.2

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>While the Company notes the need for corporate transparency on the remuneration of key senior management executives, the disclosure of details on a named basis may be detrimental to its business interests, given the competitive human capital environment for personnel with the requisite knowledge, expertise and experience of the Company's business activities.</p> <p>The Board believes that the interest of the shareholders will not be prejudiced as a result of the non-disclosure on a named basis the remuneration within the disclosure bands of the Group's top five (5) senior management who are not Directors.</p> <p>To provide an insight of the range of remuneration paid to the top five (5) senior management, the alternative disclosure is adopted whereby their aggregate total remuneration with breakdowns and in the bands RM50,000 in number are disclosed in the Corporate Governance Overview Statement of the Annual Report 2017 instead of on named basis.</p> <p>The Board believes that the remuneration of the Senior Management is in line with the Company's objectives and stakeholders' interest.</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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Others

**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 positions of the Chairman of Board and Audit Committee are held by separate individual and they are not related to one another. The Chairman of the Board is Dato' Seri Abdul Azim Bin Mohd Zabidi while the Chairman of the Audit Committee is Mr Loo Choo Hong.</p> <p>Mr Loo Choo Hong is also a member of the Malaysian Institute of Accountants as required by the MMLR</p> <p>The objective of the Audit Committee is to assist the Board of Directors in fulfilling is fiduciary responsibilities relating to internal controls, financial and accounting records and policies as well as integrity in financial reporting practices of the Company and its subsidiaries.</p> <p>The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of Reference of the Audit Committee. Which is available on the company's website at <a href="http://www.timwell.com.my">http://www.timwell.com.my</a></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>	:	<p>The Audit Committee comprises of three (3) members, all whom are Independent Non-Executive Directors.</p> <p>At present, none of the Audit Committee members were former key audit partners of the Company's external auditors.</p> <p>The policy which is codified in the Audit Committee's Terms of References, requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as a Committee member.</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 8.3

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>The Audit Committee had undertaken an annual assessment of the timeliness, competence, audit quality and resource capacity of the external auditor, Crowe Horwath in relation to the audit, the nature and extent of the non-audit services rendered and the appropriateness of the level of fees. The Audit Committee had also obtained assurance confirming that the external auditor, Crowe Horwath are independent in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>Having regard to the outcome of the annual assessment of external auditors, the Board had in 28 March 2018 approved the AC's recommendation for the shareholders' approval to be sought at the 22nd AGM on the appointment of Crowe Horwath as external auditors of the Company for the financial year 2018.</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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee ("AC") comprises wholly of Independent Non Executive Directors ("NEDs"). A NED of the Company who satisfies the independence test under the MMLR of Bursa Malaysia Securities Berhad ("Bursa Securities") is an Independent Director. This is provided in the Terms of Reference of the Board of Directors.

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied																								
<b>Explanation on application of the practice</b>	:	<p>The review of the composition of the AC shall be conducted annually in accordance with Paragraph 15.20 of the MMLR of Bursa Securities.</p> <p>The Board reviews the terms of office of the AC members and assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation.</p> <p>All members of the Audit Committee are financially literate and assist the Board to oversee and scrutinise the process and quality of the financial reporting and ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.</p> <p>All members of the AC undertakes continuous professional development and have annual discussion with the external auditors on financial reporting development to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and rules.</p> <p>During the financial year, the Committees had attended training courses, conferences and seminars conducted by various external professionals to enhance their knowledge and expertise and to keep themselves abreast of relevant developments in accounting and auditing standards, practices, and rules.</p>																								
		<table border="1"><thead><tr><th>No.</th><th>Continuing Education Programme Attended</th><th>Month Attended</th></tr></thead><tbody><tr><td>1.</td><td>Mr Loo Choo Hong</td><td></td></tr><tr><td></td><td>1. Seminar Bajet 2017: Pindaan GST dalam Bajet</td><td>January 2017</td></tr><tr><td></td><td>2. Audit Express User Training</td><td>April 2017</td></tr><tr><td></td><td>3. National Tax Conference 2017</td><td>July 2017</td></tr><tr><td></td><td>4. Seminar Percukaian Kebangsaan 2017</td><td>November 2017</td></tr><tr><td>2.</td><td>Datuk Yap Pak Leong</td><td></td></tr><tr><td></td><td>1. MIA "Companies Act 2016 Unlocked"</td><td>September 2017</td></tr></tbody></table>	No.	Continuing Education Programme Attended	Month Attended	1.	Mr Loo Choo Hong			1. Seminar Bajet 2017: Pindaan GST dalam Bajet	January 2017		2. Audit Express User Training	April 2017		3. National Tax Conference 2017	July 2017		4. Seminar Percukaian Kebangsaan 2017	November 2017	2.	Datuk Yap Pak Leong			1. MIA "Companies Act 2016 Unlocked"	September 2017
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		3. MIA "2018 Budget Seminar"	November 2017
		4. MIA "Auditing of Property Developers and Contractors"	November 2017
	3.	Madam Agnes Soei-Tin Lamey	
		1. MIA "Companies Act 2016 Unlocked"	September 2017
		2. MIA "Auditors, Financial Statements & Reports under the Companies Act 2016"	September 2017
		3. MIA "2018 Budget Seminar"	November 2017
<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

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>The Board takes cognisance of its overall responsibility in establishing a sound risk management and internal control system as well as reviewing its adequacy and effectiveness.</p> <p>The Board is assisted by the Risk Management Committee ("RMC") and Audit Committee to oversee all matters with regard to risks and controls.</p> <p>Further details on the state of the Group's risk and internal controls during financial year 2017 can be found in the Statement on Risk Management and Internal Controls in the Annual Report 2017.</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**

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>The Board has disclosed the key features of its risk management and internal control system as well as its adequacy and effectiveness in the Statement on Risk Management and Internal Control in the Annual Report 2017.</p> <p>In 2017, the Risk Management Committee reviewed the risk assessment profile and framework to ensure the key risk areas and factors were updated to better reflect the Group and Company’s current position.</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**

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>	:	<p>Risk Management Committee was established to oversee and assess the Group's overall business risk profile. The Risk Management Committee evaluate and set out the Group Risk Management Plan and the action and strategies adopted by the Group would be developed and executed by the Management and reviewed by the Audit Committee and Risk Management Committee nominated by the Board.</p> <p>The Risk Management Committee comprises a majority of independent directors, it members are s:</p> <ol style="list-style-type: none"><li>1) Datuk Yap Pak Leong – Chairman (Senior Independent Non-Executive Director)</li><li>2) Madam Agnes Lam Soei-Tin Lamey (Independent Non-Executive Director)</li><li>3) Mr Melton Martin (Independent Non-Executive Director)</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>	:	The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system.  The Group has outsourced its internal audit function to Messrs Lim Chong & Co., an independent professional services firm which reports to the Audit Committee on half-yearly basis.  The Audit Committee acknowledges that an independent and adequately resourced internal audit function is required to provide assurance on the effectiveness of the system of the internal control in addressing the risks identified.	
<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

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 outsourced internal audit function (“IAF”) has no any relationships or conflicts of interest, which could impair their objectivity and independence in conducting IAF.</p> <p>There are five (5) internal auditors with relevant qualifications and experience in the outsourced IAF.</p> <p>The name &amp; qualifications of the person responsible for internal audit is as follow:</p> <ol style="list-style-type: none"> <li>1) Lim Kiat Kong <ul style="list-style-type: none"> <li>- Member of Malaysian Institute of Accountants (MIA).</li> <li>- Member of Institute of Chartered Accountants in England and Wales (ICAEW)</li> <li>- Approved Auditor in Malaysia</li> </ul> </li> </ol> <p>The IAF is carried out in accordance with the COSO Enterprise Risk Management – Integrated Framework and International Standards on Auditing (ISA)</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>	:	<p>The Company recognises the importance of effective communication with the shareholders as well as other stakeholders through timely dissemination of information. The Board is committed to ensuring that shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the publication of the Annual Report, various timely announcements, periodic disclosures made during the financial year and the release of financial results on the quarterly basis to Bursa Securities. The Company will ensure that all quarterly financial results are announced to Bursa Securities no later than two (2) months after the end of each quarter of a financial year and that the Annual Report is released within four (4) months after the end of each financial year.</p> <p>The Company has identified Datuk Yap Pak Leong as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.</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 11.2

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>	:	The Company is not a Large Company as defined by the Malaysian Code on Corporate Governance 2017. The Company has yet to adopt integrated reporting based on the globally recognised framework as it is not a statutory requirements in Malaysia to adopt integrated reporting.	
		In addition, the annual report presently contains financial and non-financial information which may be considered to provide a fairly comprehensive overview of the Group.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Others	Please specify number of years.

### 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 Malaysian Code on Corporate Governance 2017, the Company gives its shareholders at least 28 days prior notice of the AGM of the Company, well in advance of the 21-day requirement under the Companies Act 2016 and MMLR of Bursa Securities (“Bursa Securities”)  The Explanatory Notes provided in the Notice of the 22nd AGM dated 24 April 2018 is to enable shareholders to make informed decisions in exercising their voting rights.	
<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>	:	<p>All Directors, Chairs of committees and Senior Management attended the previous annual general meeting on 12 May 2017.</p> <p>All Directors, Chairs of committees and Senior Management shall attends and participates the AGM, unless illness or another pressing commitment preclude them for attending the AGM, to ensure an open channel of communication is cultivated.</p> <p>In additional, the External Auditors, Messrs Crowe Horwath also will attends the AGM and is available to answer questions relevant audit process.</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

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>	:	<p>The Company has about 1,250 shareholders as at 31 December 2017 and the number is not large to leverage technology to facilitate the voting in absentia and remote shareholders' participation at general meetings.</p> <p>The forthcoming 22<sup>nd</sup> AGM will be held on 23 May 2018 at Sabah Oriental Hotel, Jalan Kemajuan Karamuning, 88000 Kota Kinabalu, Sabah. The AGM venue was familiar to most Company's shareholders since the past 10 years AGMs were held at the same venue.</p> <p>Alternative Practice: Shareholders are entitled to appoint representatives or proxy/proxies/Chairman to vote on their behalf in their absence.</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>	:	

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

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

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