

CORPORATE GOVERNANCE REPORT

STOCK CODE : 8885
COMPANY NAME : AVILLION BERHAD
FINANCIAL YEAR : March 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for the overall oversight and management of the Group.</p> <p>The principal function of The Board is to manage all the significant matters as it is accountable under applicable laws and regulations for the Group's activities, strategies, financial position and performance. The Board delegates certain functions to the Board Committees and the Management. Hence, the Key matters reserved for the Board's approval are specified in the Board Charter and the approved Terms of Reference ("TOR") of the respective Board Committees. These include the Group's goals and strategies, financial plans and forecast, quarterly financial statements, public announcements and matter concerning the appointment or re-appointment of External Auditors.</p> <p>The respective roles and responsibilities of the Board and Management are clearly set out and understood by both parties to ensure accountability.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is led by Tan Sri Dato' Sri Dr. Samsudin Bin Hitam , the Independent Non-Executive Chairman who is capable to lead the Board based on his entrepreneurial leadership and at the same time guided by the independent advice and views from the Independent Directors, who offer the necessary checks and balances in the decision making process of the Board.</p> <p>The Chairman plays an instrumental role in providing leadership to the Board for all aspects of the Board's roles and responsibilities, ensuring that operations conform to the Board's strategic directions, Company's vision and corporate policies, as well as facilitating the communication and understanding between the Management and the Board.</p> <p>The Chairman presides over board meetings and ensures that all directors' views are heard, ensures sufficient time for discussion of each agenda, and provides fair opportunity to all directors to participate actively and constructively during the meetings and discussions.</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 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	The roles of Chairman and Acting Group Chief Executive Officer are exercised by different individuals. The Board Charter provided a view of segregation powers and duties between them and it is made available for reference on the Company's Website. The purpose is to ensure that all Board members and Management on the Group's behalf are aware of their expending roles and responsibilities. The Chairman is responsible for managing the conduct of the Board and ensuring its effectiveness including ensuring all directors receive sufficient relevant information on all financial, business, operation and corporate matters to enable each of them participate actively and effectively in Board Decision. The Acting Group Chief Executive Officer is responsible for the efficient and effective management of the business operations and strategic direction of the Group.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretary of the Group is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") who is qualified to act as company secretary under Section 235(2) of the Companies Act 2016.</p> <p>She undertakes the following key roles and responsibilities within the Group:</p> <ul style="list-style-type: none">(1) Manages the logistics of all Board and Board Committee meetings. Record and keep attendance and minutes of all Board and Board Committee meetings. Ensures that deliberations at Board and Board Committee meetings are well documented and subsequently communicated to the relevant Management personnel for appropriate actions. Updates the Board on follow-up actions by the Management. Action items would stay as matters arising in the minutes of meetings until they are resolved.(2) Provides support to the Board in fulfilling its fiduciary duties and leadership role in shaping the corporate governance ("CG") of the Group. In this respect, she plays an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, CG best practices and its compliance with regulatory requirements, codes, guidance and legislations.(3) Ensures that the due processes and proceedings of annual general meetings are in place and properly managed. Assists the Chairman and the Board to conduct the meeting and ensure the minutes are properly recorded, particularly the questions raised by shareholders.(4) Monitors the developments of CG and assists the Board in applying best practices to meet the Board's needs and stakeholders' expectations.(5) Whilst the Investor Relations is generally involved in communication and engagement with stakeholders, the Company Secretary plays an important role in advising the Board on principles and best practices in CG and ultimately become the focal point for

	shareholders in relation to CG issues affecting the Group as a listed entity.	
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.

Application	:	Applied	
Explanation on application of the practice	:	Reasonable notice of meetings and the agenda on the business to be conducted at the meetings were circulated to all Directors one (1) week before each meeting. Each Board member is supplied in advance with an agenda, which include minutes of previous meetings, financial reports and other reports relevant to the meeting, to allow the directors sufficient time to review and to deliberate at the board meetings and to facilitate informed decision making by the directors. Management representatives are also present to provide additional insight on matters to be discussed during the Board meetings.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The responsibilities and duties of all the Board Members, Board committees and Management are clearly stated in the Board Charter and it is made available for reference on the Company's website. It serves to ensure that all the parties mentioned above who act on the Group's behalf are aware of their expanding roles and responsibilities. It shall be reviewed and updated from time to time to reflect changes to the amendments of relevant rules and regulations.</p> <p>The Management is accountable for the execution of the corporate objectives and policies set by the Board. The Board has delegated specific responsibilities to the committees to assist the Board in the effective operations and the governance of the Group. The functions and Terms of Reference of the committees have been defined by the Board in the Terms of Reference of the respective committees. These committees are Audit Committee, Nomination Committee and Remuneration Committee. The Terms of Reference of these committees are available in the Company's website. The duties and responsibilities of the Chairman, Group Managing Director/Chief Executive (GMD/CE) are distinct and separate with clear division of responsibilities. The Chairman is responsible for managing the conduct of the Board and ensuring its effectiveness including ensuring all directors receive sufficient relevant information on all financial, business, operational and corporate matters to enable each of them to participate actively and effectively in Board decisions. The GMD/CE is responsible for the efficient and effective management of the business operations and strategic direction of the Group.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has adopted a Code of Ethics for Company Directors and a Code of Conduct and Ethics for all the employees. Both codes are available on the Company’s website at www.avillionberhad.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.

Application	:	Applied	
Explanation on application of the practice	:	The Board has formalised a Whistleblower Policy which enables employees and stakeholders to report genuine concerns about unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements. Any concern should be raised with immediate superior or reported to the Group Chairman & Acting Group Chief Executive Officer. The findings on investigation performed on complaints received together with the proposed course of action will be reviewed by the Audit Committee for a decision.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Board currently consists of four (4) members, comprising the independent Non-Executive Chairman, an Executive Director, and two (2) Independent Non-Executive Directors.	
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 4.2

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

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

Application	:	Not Applicable	
Explanation on application of the practice	:		
Explanation for departure	:	The tenure of all the board of directors do not exceed a cumulative term limit of nine years.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Applied
Explanation on adoption of the practice	:	The Company has established a policy to limit the tenure of its independent directors to nine (9) years. An Independent Director may continue to serve the Board subject to re-designation of the Independent Director as a Non-Independent Director. In the event the Board intends to retain the Independent Director as an Independent Director after serving a cumulative term of nine (9) years, shareholders' approval will be sought.

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The composition of the Board represents a good mix of knowledge, skills and experience to ensure that the Group is competitive within its industry. The Board, through the Nomination Committee will consider appropriate targets for appointment as Board members in terms of gender, ethnicity and age and will take required measures to meet those targets from time to time if deemed necessary to enhance the effectiveness of the Board.</p> <p>The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two directors or one third of the Board of the Company, whichever is higher are independent directors. The Board compose of 3 males and 1 female to ensure good mix of gender as well. This composition and combination of different skills ensures an effective Board decision-making process and enables the Board to efficiently lead and control the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Not Applicable
Explanation on application of the practice	:	
Explanation for departure	:	<p>As explained in Practice 4.4, the Board through the Nomination Committee will consider appropriate targets for appointment as Board members in terms of gender, ethnicity and age and will take required measures to meet those targets from time to time if deemed necessary to enhance the effectiveness of the Board.</p> <p>There are 3 male Directors and 1 female Director. The Board consist of 75 % Malay, 25% Chinese. 75% of the Directors are between the ages of 40 and 55 and the remaining 25% is above 55 years old.</p> <p>The Board is supportive of gender diversity in the boardroom as recommended by the MCCG 2017 to promote the representation of women in the composition of the Board. The Board will endeavor to ensure that gender, ethnicity and age diversity will be taken into account in nominating and selecting new directors to be appointed on the Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	For any vacant Board position in the future, the Board when looking for suitable candidates, the priority consideration is given to identify suitably qualified women candidates in line with the recommendation of the Malaysian Code on Corporate Governance.
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is responsible for identifying and recommending suitable candidates to be appointed to the Board. There were no new appointments made for the financial year ended 31 March 2018. Moving forward, the Nominating Committee will rely on varied sources to identify candidates to be appointed to the Board, including utilising independent sources.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	All the Nomination Committee are Independent Non-Executive Directors and chaired by an Independent Non-Executive Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nomination Committee has carried out an evaluation of the effectiveness of the Board and Board Committees and individual Directors. This includes the Role and Responsibilities of the Board; the Board composition; Information to the Board; Conduct of Board meetings, Performance Evaluation on Board and Board Committees and Directors’ self-assessments. The Nomination Committee reviewed the outcome of the evaluation exercise and the areas for continuous improvement. The Board views that it is important to have boardroom diversity such as diversity in ethnicity, gender and age.</p> <p>The Board is satisfied with the board composition in term of the balance between Executive, Non-Executive and Independent Directors and mix of skills, experience, age and cultural background. The Board will further appoint qualified women as director which in line with the Practice 4.5 above.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a remuneration framework and procedures to determine the remuneration of the Directors which is clear and transparent, designed to attract and retain the right talent in the Board to drive the Group's long-term objectives.</p> <p>The Remuneration Committee reviewed and recommended to the Board the remuneration. In making its recommendation, the Remuneration Committee considered the principles set out in the Board Remuneration Policy. Board remuneration was structured to align rewards to corporate and individual performances besides adequately compensate the Directors for risks and complexities of the duties and responsibilities they assumed. Packages directors and senior executives and its subsidiaries including the executive directors of the Company. Fees and benefits payable to the Directors are subject to approval by the shareholders at the Company's AGM. The affected Directors had abstained from participation in deliberations and decisions regarding their individual remuneration.</p> <p>The remuneration details for the Executive and Non-Executive Directors of the Company are disclosed in the Corporate Governance Overview Statement in the Annual Report 2018 which was published on the Company's website at www.avillionberhad.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 level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

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

Practice 6.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Remuneration Committee was established to assist the Board in establishing formal and transparent remuneration policies and procedures for directors and senior executives of Avillion Berhad and its subsidiaries including the executive directors of the Company. Full details of the functions and duties of the Remuneration Committee are stated in its Terms Of Reference which is available on the Company's website. The Remuneration Committee comprises exclusively Non-Executive Directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The details of the individual Directors’ remuneration for the financial year ended 31 March 2018 with breakdown into salaries, fees, statutory contribution, other emoluments and benefits-in-kind are disclosed in the Corporate Governance Overview Statement of the Group’s Annual Report 2018.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	For security reasons, the details of individual top five senior management's remuneration are not shown. The Board will consider disclosing the remuneration of individual top five senior management's as and when it is deemed appropriate.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 – Step up

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

Application	:	Departure
Explanation on adoption of the practice	:	For security reasons, details of individual top five senior management's remuneration are not shown. The Board will consider disclosing the remuneration of individual top five senior management's as and when it is deemed appropriate.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	During the financial year, in line with the recommended practice 8.2 of the MCCG, the Audit Committee had revised its TOR to include a clause on a minimum cooling-off period of two (2) years before a former key audit partner can be appointed as a member of the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. The Audit Committee also had obtained assurance from the external auditors confirmed that they have been independent throughout the audit engagement. The Audit Committee is satisfied with the external auditors’ performance and will recommend their re appointment to the Board and seek shareholders’ approval during AGM.</p> <p>The Audit Committee ensured that the External Auditors work closely with the Internal Auditors to enhance the effectiveness of the overall audit process. The Board has established a formal and transparent relationship with the External Auditors. The Audit Committee meets with the External Auditors, excluding the attendance of the Executive members of the committee at least twice a year to facilitate to exchange of views on issues requiring attention.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 – Step up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Applied
Explanation on adoption of the practice	:	The Audit Committee comprise exclusively of Independent Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied	
Explanation on application of the practice	:	During the financial year, Directors had participated in various training programs.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with those risks and opportunities. The Company's approach to risk management is based on the identification, assessment, monitoring and management of material risks embedded in its business and management systems. The Statement on Risk Management and Internal Control made pursuant to Paragraph 15.26(b) of the MMLR of BMSB is separately set out in the Annual Report.</p> <p>To discharge these responsibilities, the Board is assisted by the Audit Committee ("AC") and External Auditor in fulfilling the oversight responsibilities of reviewing the control systems in general and assessing the adequacy and effectiveness of the risk management and internal control practices conducted by the Management. The Board is supported by the Management in developing, implementing and monitoring sound practices for identifying and managing strategic, financial and operational risks and for providing assurance that risk management and internal control practices with respect to the conduct of business are implemented and adhered to within the Group.</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	:	The Board recognises the risk management and internal control system as a vital part of the Group's business operations. They acknowledge that all areas of the business activities involve certain degree of risk and are therefore committed to ensure the adequacy and integrity of the system of risk management and internal control. The Board periodically reviews the adequacy, effectiveness and reliability of the internal control system with an ongoing risk management process appropriate for the Group's diverse and dynamic business environment. In view of the inherent limitations in any system of internal controls, the system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. It therefore can provide only reasonable and not absolute assurance against material misstatement or loss. For the purpose of this review, the scope of responsibility does not include that of the Group's associate companies.	
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	:	Departure
Explanation on adoption of the practice	:	The Audit Committee assumes the role in overseeing the risk management function together with the Management.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee is authorised by the Board to ensure the internal audit function is appropriately and adequately resourced in discharging its duties and responsibilities as stated out in its Term of Reference. The Group's Internal Audited reports to the Audit Committee and is guided by its approved terms of reference. The Internal Audit or function provides the Board with an independent and balanced assurance on the adequacy and effectiveness of the risk management and internal control system by performing regular audits and follow up audits based on the risk based annual Audit Plan approved by the Audit Committee. Significant audit matters and recommendations for improvements are reported to the Management and Audit Committee with periodic follow up status on remedial actions taken.	
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	:	The Board has established an Internal Audit function within the Company which is led by the Senior Manager, Internal Audit Unit who reports directly to the Audit Committee. Details of the key elements of the Group’s internal controls system are set out separately in the Statement on Risk Management and Internal Control and the Report of the Audit Committee in Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company strives to promote a better understanding of the Group through investor relation activities. Apart from general meetings, the Company has in place the following initiatives to facilitate effective communication with its shareholders:</p> <ul style="list-style-type: none">(a) The Annual Report, which contains information such as Management Discussion and Analysis, financial statements, and information on the Audit Committee, Corporate Governance, Sustainability and Corporate Social Responsibility, and Risk Management and Internal Control;(b) Various announcements made to Bursa Securities, which include timely release of financial results on a quarterly basis. Concurrent with these releases, the Company posts all announcements on its website(c) Attending to shareholders' and investors' emails and phone enquiries; and(d) The Company's website at www.avillionberhad.com under Investor Relations section, which contain annual reports, quarterly report announcements, stock and other corporate information on Avillion Berhad. The website also provides Investor Relations contact for shareholders to direct their queries or concerns to.
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 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company may consider adopting integrated reporting based on globally recognised framework in the near 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

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 of Annual General Meeting for year 2018 (“AGM”) to be held on 30 August 2018 was served on 31 July 2018 which is more than 28 days prior to the date of the AGM.	
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	:	With effect from	

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 the directors present themselves at the previous AGMs. The Audit Committee Chairman, the Nomination Committee Chairman and the Remuneration Committee Chairman were being informed that questions relating to the Committee under their purview will be addressed by them accordingly.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	Applied	
Explanation on application of the practice	:	The AGM of the Company is being held at location in its own hotel and accessible via public transport. The Company will consider leverage on technology to facilitate more shareholders' participation in general meeting in future.	
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	:		

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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