

CORPORATE GOVERNANCE REPORT

STOCK CODE : 4243
COMPANY NAME : WTK Holdings Berhad
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	: <u>Business strategy and performance</u> <ul style="list-style-type: none">• The Board is primarily responsible for the Group's overall strategic plans for business performance, overseeing the proper conduct of business, risk management, internal control, management information systems, succession planning and communication with shareholders and stakeholders. The Board, apart from the Executive Director, is not involved in the day-to-day management of the business.• The Board is supported by the Management Committee who has the responsibilities in planning and formulating business strategies, finance, operating policies and in monitoring the achievement of the business strategies of the Group. The Management Committee reports thereon to the Board on these matters.• The Management Committee is also entrusted with the responsibility and authority to examine particular issues and reports back to the Board with its recommendations. The Board will then independently assess the merits of the Management Committee's proposals and satisfy itself that the Management Committee had considered the appropriate elements of a strategic plan and monitors the Management Committee's success in implementing its strategy. The final decision on all significant matters proposed by the Management Committee lies with the Board as a whole. Significant matters which are reserved for Board's consideration amongst others, are financial results, declaration of dividends, material capital investment matters, acquisitions and disposals of businesses and adoption of any significant change or departure in accounting policies and practices of the Company and its subsidiaries.

	<p><u>Internal controls and risk management</u></p> <ul style="list-style-type: none"> • The Group has established the appropriate risk management infrastructure to ensure that the Group's assets are well-protected and shareholders' value is enhanced. The Group has in place an on-going process that lays the foundation for effective control framework for identifying, evaluating and managing the principal risks of the Group in a proactive manner. • The Directors are mindful of their responsibilities in relation to the maintenance of a sound system of risk management and internal controls which provides reasonable assessment and review of the Company's effectiveness to safeguard shareholders' investment and Group's assets. The Board is continuously reviewing the adequacy and integrity of its system of risk management and internal controls. Details of the Group's internal control and risk management are set out in the Statement on Risk Management and Internal Control in the Annual Report. <p><u>Effective communication with stakeholders</u></p> <ul style="list-style-type: none"> • The Board is committed in providing effective and timely communication with its stakeholders. The Group uses a number of formal channels for effective dissemination of information to the public, namely, the Annual Report, announcements to Bursa Malaysia Securities Berhad, quarterly reports, Company's website and investor relations. 	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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

Practice 1.2

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 Chairman is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman :-</p> <ul style="list-style-type: none"> • Is responsible to ensure that procedures and processes are in place to facilitate effective conduct of business of the Board. • Is responsible for representing the Board to the shareholders; • Ensures that the contents and order of agenda of meetings are appropriate and that members of the Board have the relevant papers in good time; <p>The Deputy Chairman shall deputise the Chairman in the absence of the Chairman or in any role as requested by the Chairman.</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

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of the Chairman and the Managing Director (“MD”) are held by two different individuals.</p> <p>The roles of Chairman are distinguished from that of the MD’s roles with division of responsibilities as outlined in the Board Charter. The Board Charter is available at Company’s website www.wtkholdings.com.</p> <p>The Chairman is responsible to ensure that procedures and processes are in place to facilitate effective conduct of business of the Board.</p> <p>The task of the MD is to run the business of the Group and to implement the policies and strategies adopted by the Board.</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

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 two qualified Company Secretaries are namely :-</p> <ul style="list-style-type: none"> a) Mr David Ting Kah Soon, a member of CPA Australia and the Malaysian Institute of Accountants. b) Ms Tan Mee Lian, an associate member of The Malaysian Institute of Chartered Secretaries and Administrators. <p>The Company Secretaries are also Secretaries for all Board Committees.</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

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>Formal agenda and papers for scheduled Board meetings are circulated to all Directors in advance to enable them to have sufficient time to review and seek clarifications, if required. As a general rule, Board papers are circulated for Directors' review at least five business days prior to any scheduled Board meeting. Confidential or urgent papers may be presented and tabled at Board meetings under supplemental agenda.</p> <p>Minutes of a Directors' meeting would be distributed to all Directors on a timely basis and thereafter for confirmation at next board meeting. The signed board minutes are entered in minutes books kept by the Company Secretaries.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is 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 Company's Board Charter outlines amongst others, the structure, responsibilities, rights and procedures of the Board and the Board Committees.</p> <p>The Board will periodically review the Board Charter to ensure it reflects changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations.</p> <p>The Board Charter is published at the Company's website at www.wtkholdings.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has in place a Code of Conduct and Ethics that set out the principles for Directors and employees of the Company and its subsidiary companies. The Code of Conduct and Ethics will be reviewed periodically by the Board, to ensure it remains relevant and appropriate.</p> <p>The Code of Conduct and Ethics is published at the Company's website at www.wtkholdings.com.</p> <p>In addition, the Directors of the Company will also continue to observe and adhere to the Directors' Code of Ethics which is embedded in the Board Charter.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to maintaining the highest possible standards of ethical and legal conduct within the Group. In line with this commitment and in order to enhance good governance and transparency, a Whistleblowing Policy is adopted with the aim to provide an avenue for raising concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation.</p> <p>The Whistleblowing Policy also provides the contact of the Senior Independent Director, being the Audit Committee Chairman of the Company, that is, via email address available at the Company's website, should any employees or stakeholders be in doubt of the Management's independence and objectivity on the concerns raised. Each allegation will be dealt with fairly and equitably.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Although the Board's current composition comprised a majority Non-Independent Non-Executive Directors, the willingness of Directors to challenge the Management with questions without fear whilst debating constructively during board meetings helps to reinforce the check and balance of Board's decision-making process. Therefore, the lack of majority independent directors does not jeopardise the Board's objective and independent deliberations and decision-making.	
		The Board recognises the benefits of having a majority of Independent Non-Executive Directors which allows for more effective oversight of management. As such, the Board aims to achieve the desired practice of having a majority of Independent Non-Executive Directors.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 4.2

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Lt. General Datuk Seri Panglima Abdul Manap Ibrahim (rtd) has served as an Independent Non-Executive Director for twenty-two years and Ms. Tham Sau Kien has served as an Independent Non-Executive Director for ten years.</p> <p>At last Annual General Meeting of the Company held on 26 May 2017, shareholders' approval was obtained for both Lt. General Datuk Seri Panglima Abdul Manap Ibrahim (rtd) and Ms. Tham Sau Kien to continue to serve as Independent Directors of the Company.</p> <p>Given that the Company is not able to determine with certainty who the Large Shareholder is/are for purposes of using two-tier voting process, the Company will use single-tier voting process at the upcoming Annual General Meeting of the Company to obtain shareholders' approval for both Lt. General Datuk Seri Panglima Abdul Manap Ibrahim (rtd) and Ms. Tham Sau Kien to continue to serve as Independent Directors of the Company.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>In making recommendation on new appointments to the Board, the Nomination Committee will assess, amongst other criteria, whether the potential candidate has the necessary skills, knowledge, expertise and experience, time commitment, competence, professionalism and integrity. The Nomination Committee also takes into consideration on whether the potential candidate will be a strategic and effective fit for the Board and contribute to the overall desired composition and required mix of expertise and experience on the Board.</p> <p>There was no new appointment of Directors in year 2017.</p> <p>On 1st March 2018, Lt General Datuk Seri Panglima Abdul Manap Ibrahim (rtd) has been re-designated from his position as Deputy Chairman to Chairman of the Company, in place of Pemanca Datuk Wong Kie Yik who has retired as Chairman and Director of the Company.</p> <p>On the same day, the Board has appointed Y.A.M Tengku Sulaiman Shah Al-Haj Ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Al-Haj as Director and Deputy Chairman of the Company.</p> <p>Both the Chairman and Deputy Chairman are considered mature directors. The Board believes that when considering for positions in the Board, age is not the only important criteria. The Board has considered and believes that both the Chairman and Deputy Chairman are able to share their greater wealth of experience and bring in diverse and objective perspectives in Board's deliberation and decision-making.</p> <p>The appointment of senior management which is delegated to the Managing Director of the Company, are based on competencies, experience, integrity, skills set and other qualities.</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

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Presently, the Board does not intend to implement any policy on gender diversity or set any targets and measures to meet 30% women representation on the Board.	
		The presence of Ms. Tham Sau Kien and Ms. Ting Soon Eng reflects that the Board does not consider gender to be vetoed from Board membership and that the Board recognises the value of female members.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 4.6

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	It is an existing practice that the Board does not utilise independent sources to identify potential candidates for appointment of directors.	
		In searching for potential candidates, the Nomination Committee receives proposals from existing Directors. The existing Directors are best suited to identify potential candidates as they understand the particular need of the Board and they are familiar with the culture of the Company and the Board.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by an Independent Director, Lt. General Datuk Seri Panglima Abdul Manap Ibrahim (rtd).	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board through the Nomination Committee, conducted the annual assessment for 2017 on effectiveness of the Board, Board Committees and individual Directors. The annual review was carried out based on specific criteria, covering areas such as Board composition and structures, roles and responsibilities of the Board and its Committees, and qualities and contribution of individual Directors. From the result of the annual assessment for 2017, the Board concluded that the performance of the Board, Board Committees and individual Directors had been good and had been effective in their overall discharge of functions and duties.</p> <p>The Board has also undertaken an annual assessment for 2017 on the independence of its Independent Directors, which was led by the Nomination Committee. The criteria for assessing the independence of Independent Directors includes the relationship between the Independent Director and the Company and his/her involvement in any significant transaction with the Company. The Nomination Committee and the Board have determined that its Independent Directors are able to carry out their duties independently and contribute effectively to the Board. The Independent Directors have also fulfilled the criteria as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on Independent Directors and provided written confirmations on their independence to the Nomination Committee.</p> <p>The above annual assessment for 2017 was conducted internally, facilitated by the Company Secretary. The assessment was conducted using tailor-made questionnaires which employ a rating system and were administered by the Company Secretary.</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 established Directors' Remuneration Policies and Procedures, which is available at the Company's website at www.wtkholdings.com</p> <p>The Directors' Remuneration Policies and Procedures is to be reviewed by the Board as and when required.</p> <p>The Managing Director is delegated to ensure that the remuneration strategy and practices for senior management are aligned with the Company's strategy and long term objectives.</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 Board has established a Remuneration Committee to review and recommend matters relating to the remuneration of Board and senior management. The Terms of Reference of the Remuneration Committee is available at the Company's website. The remuneration of senior management was delegated to the Managing Director for his review and decision-making.
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	:	<p>The remuneration of individual directors on named basis are disclosed in the Annual Report of the Company.</p> <p>The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.</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

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company departs from the Practice for this year and will disclose it for next year and the aggregate remuneration of the top 5 senior management personnel is currently disclosed under Note 35(iv) on page 149 of the Annual Report for the financial year 2017.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee, Ms. Tham Sau Kien 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	:	<p>The Audit Committee comprises of three (3) members, all whom are Non-Executive Directors and with a majority being independent. At present, none of the Audit Committee members were former key audit partners of the Company's external auditors.</p> <p>Whilst this practice has always been adopted by the Company, the Terms of Reference of the Audit Committee has been amended in March 2018 to reflect this Practice 8.2.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee has in place, the policies and procedures to assess the suitability, objectivity and independence of the external auditor.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>Collectively, the Audit Committee possesses a wide range of necessary skills to discharge its duties and is able to understand matters under the purview of the Audit Committee including financial reporting.</p> <p>All members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. In addition, the members were briefed by the external auditor at meetings of Audit Committee on the following key areas:</p> <ul style="list-style-type: none"> • Financial Reporting developments; • Malaysian Financial Reporting Standards; • Malaysian Code on Corporate Governance; and • Other changes in regulatory environment.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Risk management is regarded by the Board as an important aspect of the Group's diverse and growing operations with the objective of maintaining a sound internal control system. To this end, the Group has established the appropriate risk management infrastructure to ensure that the Group's assets are well-protected and shareholders' value is enhanced.</p> <p>The Internal Audit Function established by the Board, reviews the internal control system independently to assess its adequacy and effectiveness.</p> <p>Details of the Group's overview on the state of risk management framework and internal control systems are set out in the Statement on Risk Management and Internal Control of the Company's Annual Report.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	The features of the Group's risk management and internal control framework are set out in the Statement on Risk Management and Internal Control of the Company's Annual Report. The adequacy and effectiveness of the Group's risk management and internal control framework are elaborated in the Statement on Risk Management and Internal Control of the Company's Annual Report.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The Board Risk Management Committee comprises of majority independent directors (IDs), with two IDs out of three committee members.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Auditors report functionally to the Audit Committee and have unrestricted access to the Audit Committee. The Internal Auditors are independent of the activities and processes of all operating units and they are able to perform their duties in an objective manner and provide impartial advice to the Audit Committee. The Internal Auditors periodically evaluate the effectiveness of the risk management process and review the effectiveness of the internal controls systems within the Group.</p> <p>The Audit Committee:</p> <ul style="list-style-type: none"> • reviews the findings of internal audit reports presented by the Head of Internal Audit on a quarterly basis; • reviews and approves the Audit Plan proposed by the Head of Internal Audit on an annual basis. <p>The Head of Internal Audit is invited to attend the Audit Committee meetings to facilitate the deliberation of audit reports.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose—

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit personnel are free from any relationships (including any family relationships with any Directors and/or major shareholders of the Group) or conflicts of interest, which could impair their objectivity and independence.</p> <p>At present, there is a total of 8 internal auditors with two departments Head (ie, Head for Timber & Plantations and Head for Non-Timber & Plantations).</p> <p>The Head of Internal Auditor for Timber & Plantations, Mr Sii Pan Fu is a Chartered Member of the Institute of Internal Auditors and he also holds a Bachelor of Commerce (major in accounting), Certified Public Accountant, Australia and a member of Malaysian Institute of Accountants. The Head of Internal Auditor for Non-Timber & Plantations, Mr Jeffery Saifullah Goh holds a Master in Business Administration.</p> <p>The internal audit function is carried out in accordance with the International Professional Practices Framework, promulgated by the Institute of Internal Auditors. The internal audit function is also governed by the Group's Internal Audit Charter.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. The Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, Audited Financial Statements, Corporate Developments in the Group, the resolutions being proposed and on business of the Group in general at every AGM and Extraordinary General Meeting of the Company. Senior Officers and appropriate advisers are also available to respond to shareholders' questions during the meeting.</p> <p>The Company also maintains a website at www.wtkholdings.com through which stakeholders can gain access to information about the Group and announcements made by the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is 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	:	<p>WTK Holdings Berhad has yet to adopt integrated reporting based on the globally recognised framework. In view of the nature of integrated reporting that is still new in the current market, the Board would consider allowing a sufficient period for the concept of integrated reporting to be better appreciated and familiarised before it is adopted.</p> <p>The Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The notice for the upcoming Annual General Meeting of the Company in 2018 was provided to shareholders at least 28 days before the meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All directors have always committed to attend all general meetings. These meetings are scheduled and approved by the Board. Once meeting dates have been fixed, Directors would commit themselves to attend the meetings as scheduled, save for unforeseeable circumstances that are beyond their control.</p> <p>The respective Chair of each committee are prepared to address any issues that the shareholders may raise within the scope of responsibilities of the Committees that they lead.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Company's Annual General Meeting has been held in Sibu, a city centre and not in remote location.	
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
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA
MALAYSIA**

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

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