

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 2984  
**COMPANY NAME** : FACB Industries Incorporated Berhad  
**FINANCIAL YEAR** : 30 June 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Board Oversight</b></p> <p>The Company is led and controlled by an experienced Board with a wide range of expertise. Board members' judgements have a bearing on strategies, performances, resources and standards.</p> <p>The Board is responsible for, among others, supervising the affairs of the Company to ensure its success is within the acceptable risks. It reviews management performance and ensures that necessary resources are available to meet the Company's objectives. The Board has delegated day-to-day operational decisions to the Executive Directors and the management who are also responsible for monitoring daily operational matters.</p> <p>The Board has clear roles and responsibilities in discharging its fiduciary and leadership functions and has established clear functions reserved for the Board and those that were delegated to the management which are embodied in the Board Charter.</p> <p>All Directors must act in the best interest of the Company and shall disclose to the Board of any potential conflict of interest as soon as he or she becomes aware of such interest.</p> <p>The Board reviews the Company's budgets and business operations, identifies risks and ensures the existence of adequate internal control systems to manage risks. It reviews quarterly performance, the subsequent three months and long term plans during Board meetings. It</p>

	<p>provides inputs and views in developing the Company's business strategies and ensures the management has devoted sufficient time and resources and thorough thought in formulating the strategies.</p> <p><b>Management</b> The Executive Directors and the management are responsible for developing corporate strategies and implementing policies of the Board while managing business operations. The management would table quarterly performance, strategic plans, risks and challenges as well as status of their execution to the Board for deliberation during Board meetings.</p> <p>The Non-Executive Directors are independent of management, free of any business relationship and ensure that business plans, strategies and new inputs proposed are objectively evaluated. They provide constructive inputs from different perspectives in addition to acting as a form of check and balance for the Executive Directors and the management.</p> <p><b>Board Committees</b> The Board has delegated specific responsibilities to Board Committees which comprise the Audit Committee, Nominating Committee and Remuneration Committee. These Committees operate within defined terms of reference and are limited to making recommendations to the Board for final decision on matters discussed and deliberated.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	<b>Board Chairman</b>  The Board is led by the Chairman Datuk Wan Kassim bin Ahmed, an Independent Non-Executive Director with broad and deep exposure in the business and corporate world. The Chairman assumes leadership in order that the Board can perform its responsibilities effectively and efficiently. The principal duties and responsibilities of the Board is to effectively lead and control the Company. The Board is to oversee the performance of management in a collegial relationship that is supportive yet vigilant. It is also responsible for the Company’s strategies, objectives, succession plan and accountability to shareholders.	
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

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	:	<b>Board Accountability</b>  To ensure balance of power and authority, the roles of Chairman and CEO are distinct and separate. The Chairman is primarily responsible for ensuring the Board’s effectiveness while the CEO is responsible for the efficient management of the business and operations. The CEO has been vested with the authority and responsibility for implementing policies, strategies and decisions adopted by the Board.	
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

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Company Secretary</b></p> <p>The Company Secretary, Mr Lee Boo Tian is a licensed Company Secretary under the Companies Act 2016. He plays a supporting role to the Board to ensure adherence to the Board policies, procedures, Bursa Malaysia Main Market Listing Requirements and other compliances.</p> <p>The Company Secretary maintains the statutory records in accordance with legal requirements, organizes and facilitates the convening of Board meetings, Board committee meetings and general meetings, in consultation with the Board members and the Chairman.</p> <p>The Company Secretary records, prepares and circulates minutes of meeting of the Board and Board Committees and ensures that the minutes are properly kept at the registered office of the Company and produced for inspection, if required. In addition, the Company Secretary also updates and circulates to the Board members amendments to the Listing Requirements, practices and guidance notes from Bursa Malaysia Securities Berhad which affect the Company and its business operations.</p> <p>In particular, the Company Secretary carries out among others, the following:</p> <ul style="list-style-type: none"><li>- attending Board and Board Committee meetings and ensuring that these meetings are properly convened and proceedings are properly recorded;</li><li>- ensuring that all appointments to the Board and Board Committees are properly made;</li><li>- maintaining records for the purpose of meeting statutory obligations;</li><li>- facilitating the ongoing provision of information as may be requested by the Directors and supporting the Board in ensuring ongoing adherence to Board policies and procedures.</li></ul>

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

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Board Meetings</b></p> <p>Minutes of proceedings and decisions taken during the Board meetings are recorded by the Company Secretary and were circulated promptly to the members of Board Committees.</p> <p>Four (4) Board meetings were held during the financial year ended 30 June 2018 (with details of attendance presented under Other Compliance Statements of this Annual Report). In between scheduled meetings and where appropriate, Board decisions were effected via circular resolutions.</p> <p>All Directors are committed and have devoted sufficient time to discharge their duties during the financial year. They are also accessible by the management on telephone calls for discussion on all matters affecting the Company. It is a practice that any director before accepting any new directorship would assure the Chairman that his or her time commitment and contribution to the Company would not be compromised.</p> <p>The Board is provided with an agenda of Board meetings and detailed information to enable them to deliberate in the meeting and make decisions. Minutes of proceedings and decisions taken during the Board meetings are recorded by the Company Secretary and circulated to the Board members.</p> <p>All Directors have complied with the minimum requirements on attendance at Board meetings as stipulated in the Bursa Malaysia Main Market Listing Requirements (minimum 50% attendance).</p> <p><b>Supply of Information</b></p> <p>The Directors have full and unrestricted access to all information pertaining to the Company's business affairs, whether as a full Board or</p>



	<p>in their individual capacity, to enable them to discharge their duties.</p> <p>Board meetings are held quarterly to deliberate inter-alia on the Company's corporate developments, financial results, business operations, risk management and internal audit reports with proceedings duly minuted and signed by the meeting Chairman.</p> <p>During Board Meetings, management is required to furnish further details on any issues raised and to provide supplementary information at the Board's behest. The Board of Directors also has ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. Directors may also seek briefings from the management or auditors on specific matters in addition to the regular presentations to the Board. At least one week prior to the Board meetings, the Directors are provided with the agenda together with Board papers containing reports and information relevant to the business of the meeting to enable sufficient time frame to consider any matters arising.</p> <p>The Directors whether as a full Board or in their individual capacity may obtain independent professional advice at the Company's expense in furtherance of their duties. In such a situation, a copy of the report or independent advice would be made available to the Chairman and all Directors for deliberation. No such Board matters were individually referred to external legal counsels for advice during the financial year ended 30 June 2018.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Board Charter</b></p> <p>The Company has in place a Board Charter which sets out the Board's strategic intent and outlines the Board's roles and responsibilities. The Board Charter is a source reference and primary induction literature, providing insights to prospective Board members and senior management.</p> <p>The Board Charter also outlines the roles and responsibilities of various Board Committees, the Chairman and the CEO/management of the Company as well as policies and practices in respect of matters such as the convening of Board and Board Committees' meetings. In particular, the Board Charter covers among others the following:</p> <ul style="list-style-type: none"><li>• Constitution, Duties and Responsibilities of the Board</li><li>• Chairman and CEO's Respective Responsibilities</li><li>• Board and Board Committees' meeting procedures</li><li>• Relationship of the Board to Management</li><li>• Access to Timely and Quality information</li><li>• Access to Advice and Procedure</li><li>• Board committees including Audit Committee, Nominating Committee and Remuneration Committee's Responsibilities</li><li>• Shareholders – Investor Relations</li><li>• Evaluation Mechanism/Framework</li></ul> <p>The Board Charter provides a basis for good governance, effective functioning and accountability of the Company. It also ensures that the Company and its subsidiaries are effectively led and controlled with the Board of Directors having the ultimate responsibility for maintaining the highest standards of integrity, accountability and corporate governance</p>

	<p>and acting in the interest of the Company as a whole. In particular, it includes the division of responsibilities and powers between the Board and management, the different committees established by the Board, and between the Chairman and the CEO.</p> <p>The Board Charter is updated from time to time to reflect changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations. The Charter was last reviewed on 23 May 2018.</p> <p>The Board Charter has wide coverage on the Company's operations and management and is viewable on the Company's website <a href="http://www.facbi.com">www.facbi.com</a>.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<b>Code of Conduct and Ethics</b>  The Board has adopted a Code of Conduct and Ethics which outlines its standards of ethical behaviour in discharging duties and responsibilities. This Code aims to enhance the standard of corporate governance and behaviour as well as upholding the spirit of responsibility including social responsibility in line with prevailing legislation, regulations and guidelines.  The Code reflects the commitment of the Company to run a business that is ethical, fair, efficient and effective, aligned to its business standards.  The Code is published on the Company’s website.	
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 board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

## Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<b>Whistleblowing Policy</b>  A formal Whistleblowing Policy has been established to assist in ensuring that the Company's business and operations are conducted in an ethical, moral and legal manner.  The Whistleblowing Policy is designed to encourage employees or external parties to disclose suspected malpractice or misconduct and to provide protection to employees or external parties who report allegations of such practices.  The Policy is published on the Company's website.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<b>Board Composition</b>  There were no new Board appointments during the financial year ended 30 June 2018. The Board currently consists of Five (5) members comprising two (2) Executive Directors and three (3) Non-Executive Directors. Among the Non-Executive Directors, all three (3) are Independent, hence more than half of the Board is independent. Meanwhile, the Board's composition reflects a commitment towards achieving a requisite mix of skills and experience in various business and financial competencies. The Executive Directors have direct responsibility for business operations whereas Non-Executive Directors are responsible for bringing independent objective judgement to bear on Board deliberations.  With the inputs of the Nominating Committee, the Board annually examines its size and composition with a view to determine the impact of the number and make up on its effectiveness. The Board believes that the current size and composition is ideal to provide the necessary check and balance to the Board's decision-making process. The profiles of the Directors are set out under Profiles of the Directors and Key Senior Management of this Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Board Independence</b></p> <p>The Board conducts an annual assessment of the independence of its Independent Non-Executive Directors and is satisfied that they continue to bring independent and objective judgement to Board deliberations.</p> <p>The Company's Independent Non-Executive Directors, namely, Datuk Wan Kassim bin Ahmed and Dato' Dr. Abdul Razak bin Abdul having served more than 12 years, and Mr Lim Mun Kee having served more than 9 years, constitute a departure from the Code recommendation. The Board is of the opinion that these Directors, as a result of their long tenures, possess valuable knowledge of the structure, controls and dynamics of the Company. The Board with the recommendations of the Nominating Committee, therefore, recommends that Datuk Wan Kassim bin Ahmed, Dato' Dr. Abdul Razak bin Abdul and Mr Lim Mun Kee continue to serve as Independent Non-Executive Directors of the Company for another year.</p> <p>Consequently, pursuant to the Code Practice, the Board seeks shareholders' approvals to retain their designations as Independent Directors which include a two-tier voting process in the forthcoming AGM for the directors having served more than 12 years.</p> <p>The lengths of their services on the Board do not in any way interfere with their exercise of independent judgements and ability to act in the best interests of the Company, as they continue to be scrupulously independent in the discharge of their duties as constructive challengers of executive management.</p>

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



### **Intended Outcome**

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

### **Practice 4.3 - Step Up**

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

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

## Intended Outcome

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

### Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	<b>Board and Key Senior Management Appointments</b>  The Board appoints its members and Key Senior Management through a selection process with due regard in meeting the requisite depth and diversity of background. The Board Charter which contains the assessment mechanism can be located on the Company’s website <i>www.facbi.com</i> .	
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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<b>Gender Diversity</b>  The Board acknowledges the importance of Board diversity, including gender diversity, to the effective functioning of the Board, underpinned by the overriding primary aim of selecting the best candidates to support the achievement of the Company's objectives. Nevertheless, the Company currently does not adopt any formal policy on gender diversity.  Taking into consideration the nature and size of the current business operations and investments, the Board is of the view that the composition and structure of the Board should be maintained for the time being. More female representations will be considered when vacancies arise and suitable candidates are identified.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<b>Sourcing of Nominating Committee Appointments</b>  The Board has established a Nominating Committee with appropriate terms of reference on 25 February 2002. In particular, Nominating Committee Appointments have been expanded to a more diverse pool of candidates instead of being limited to Board and management recommendations.  The members of the Committee, currently comprising wholly Independent Non-Executive Directors, are as follows:  <ol style="list-style-type: none"><li>1. Datuk Wan Kassim bin Ahmed (Chairman)</li><li>2. Mr Lim Mun Kee</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<b>Nominating Committee Chairman</b>  The Nominating Committee is chaired by a Senior Independent Non-Executive Director identified by the Board, thereby enhancing the Committee’s overall effectiveness.  The Board has identified Datuk Wan Kassim bin Ahmed as the Senior Independent Non-Executive Director, to whom concerns may be raised.	
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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Board Evaluation</b></p> <p>The Nominating Committee established by the Board, is responsible for screening, evaluating and recommending suitable candidates to the Board for appointment as Directors, as well as filling the vacant seats of the Board Committees. In respect of the appointment of Directors, the Company practises a transparent nomination process which involves the identification of candidates, evaluation of suitability of candidates, meeting up with candidates, final deliberation by the Nominating Committee and recommendation to the Board. The potential candidates may be proposed by an existing director, senior management staff, shareholders or third parties referrals. Upon completion of the assessment and evaluation of the proposed candidates, the Nominating Committee would make its recommendation to the Board. Based on the recommendation, the Board would evaluate and decide on the appointment of the proposed candidates.</p> <p>The Nominating Committee has an assessment mechanism in place to assess on an annual basis, the effectiveness of the Board as a whole and the contribution of each individual director, including the Independent Non-Executive Directors. The Committee shall meet at least once a year. Additional meetings are held as and when required. During the financial year, the Committee met once on 23 May 2018.</p> <p>At the meeting, the Nominating Committee considered the compositions of the Board and its committees as well as their performance. As a result of discussions, succession planning has become an area frequently visited to ensure it would not become a material risk to the Company.</p>

	<p><b>Re-election</b></p> <p>In accordance with the Company's Constitution, all Directors are subject to retirement from office at least once in every three (3) years, but shall be eligible for re-election. This provision is fully in line with paragraph 7.26 (2) of the Bursa Malaysia Main Market Listing Requirements. The Articles also provide that any director appointed during the year is required to retire and seek re-election at the following AGM immediately after such appointment.</p> <p>The Directors who are subject to re-election at the AGM will be assessed by the Nominating Committee on their performance whereupon recommendations will be submitted to the Board for decision on the proposed re-election of the Directors concerned for shareholders' approval at the forthcoming AGM.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<b>Policies and Procedures</b>  The Remuneration Committee's duty is to, inter-alia, review the remuneration framework and packages of newly appointed and existing Executive Directors and Key Senior Management and make recommendations to the Board for approval, with the underlying objective of attracting, motivating and retaining Directors needed to run the Company successfully. In particular, the remuneration package is structured to commensurate with corporate and individual performance, business strategy and long term objective of the Company.  In respect of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken and is a matter for consideration by the Board as a whole. The Non-Executive Directors abstain from discussion pertaining to their own remuneration.  Policies and procedures are periodically reviewed and made available in the Company's website.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		



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

## Intended Outcome

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

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

## Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Remuneration Committee</b></p> <p>The Board had established a Remuneration Committee with appropriate terms of reference, on 25 February 2002. The primary objective of the Remuneration Committee is to assist the Board in developing and establishing competitive remuneration policies and packages in all its forms, while drawing advice from experts if deemed necessary.</p> <p>In compliance with the Code, wherein the Remuneration Committee should consist wholly of Non-Executive Directors, with a majority of Independent Directors, the Committee, currently comprising wholly of Independent Non-Executive Directors, are as follows:</p> <ol style="list-style-type: none"><li>1. Datuk Wan Kassim bin Ahmed (Chairman)</li><li>2. Dato' Dr. Abdul Razak bin Abdul</li><li>3. Mr Lim Mun Kee</li></ol> <p>The Committee shall meet at least once a year. Additional meetings shall be scheduled if considered necessary by the Committee or Chairman. During the financial year, the Committee met once on 23 August 2017.</p>
<b>Explanation for departure</b>	:	

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

## Intended Outcome

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	:	<b>Detailed disclosure of Directors Remuneration on a named basis</b>  The details of Directors’ Remuneration on a named basis are summarised under Other Compliance Statements of this 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

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

### Practice 7.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<b>Disclosure of top five Senior Management's Remuneration in bands of RM50,000</b>  Top five Senior Management's Remuneration in bands of RM50,000 are summarised under Other Compliance Statements of this Annual Report.  The above disclosure represents a departure from the Principles of Malaysian Code on Corporate Governance, which prescribes individual disclosure of senior management's remuneration. At this time the Board is of the opinion that individual disclosure would result in a significant and adverse increase in the targeting and acquisition of human resources across the industry and will serve to be counter productive to the implementation of business initiatives that have been put in place.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

### **Practice 7.3 - Step Up**

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

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<b>Audit Committee Chairman</b>  The Board Chairman, Datuk Wan Kassim bin Ahmed who was previously also the Audit Committee Chairman has been re-designated as an Audit Committee Member to promote overall effectiveness and independence of the Audit Committee. Concurrently, Dato' Dr. Abdul Razak bin Abdul who was an Audit Committee Member, has been re-designated as the Audit Committee Chairman.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<b>Former Key Audit Partner</b>  There is currently no Former Key Audit Partner on the Company’s Board or Audit Committee. Nevertheless, the Company intends to establish a policy for Audit Committee membership in respect of a former Key Audit Partner to observe a cooling-off period of at least 2 years to avoid undue influence, in due course when the need arises.	
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 8.3

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	:	<b>Relationship with the Auditors</b>  The Board via the establishment of an Audit Committee maintains a formal and transparent relationship with the Company’s auditors and place great emphasis on the objectivity and independence of the Company’s external auditors.  The roles of the Audit Committee in relation to the auditors in particular, and corporate governance in general, are detailed in the Audit Committee Report of this 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 an effective and independent Audit Committee.

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

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<b>Audit Committee Independence</b>  The existing Audit Committee comprise solely of Independent Non-Executive Directors, a Step Up on the prevailing Code Practice, which mandates only a majority of Independent Non-Executive Directors.

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Audit Committee Skills Composition</b></p> <p>Skills qualification for Audit Committee members are detailed in the Audit Committee Report of this Annual Report.</p> <p><b>Continuing Education of Directors</b></p> <p>Directors are required to attend the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. All the Directors have fulfilled the Mandatory Accreditation Programme requirement.</p> <p>Directors' training is an on-going process as the Directors recognise the need to continually develop and refresh their skills and knowledge and to update themselves on the developments in the related industry and business landscape.</p> <p>Board members were updated quarterly by the Group Internal Auditor on global developments and trends in Corporate Governance principles and best practices besides local regulatory and capital market developments.</p> <p>During the financial year, the Directors also attended an in-house training on:</p> <ol style="list-style-type: none"><li>1. Amendments to Listing Requirements 2017; and</li><li>2. Malaysian Code on Corporate Governance (MCCG 2017).</li></ol> <p>Apart from inputs from Directors, the training needs of the Directors</p>

	will also be considered by the Nominating Committee. The Company Secretary will also re-direct email invitations on seminars, breakfast talks and briefings from Bursa and various professional bodies from time to time to the Directors and management for consideration and participation.	
<b>Explanation for departure</b>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>		
<b>Timeframe</b>		

## Intended Outcome

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

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

### Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<b>Risk Management and Internal Control</b>  The Statement on Risk Management and Internal Control, set out in this Annual Report, provides an overview of the Company’s approach in maintaining a sound system of risk management and internal control to safeguard shareholders’ investment and the Company’s assets.	
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 9.2

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	:	<b>Key Features of the Framework</b>  Key features of the Risk Management and Internal Control Framework are detailed in the Statement on Risk Management and Internal Control of this 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**

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

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

### **Practice 9.3 - Step Up**

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

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

## Intended Outcome

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

### Practice 10.1

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	:	<b>Internal Audit Effectiveness &amp; Independence</b>  The Audit Committee ensures that internal audit is effective and is able to function independently as detailed in the Audit Committee Report of this 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

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

### Practice 10.2

The board should disclose—

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<b>Internal Audit Resource</b>  The Group Internal Auditor, Mr Hong Eng Hwe, is responsible for overseeing the function, carried out by an Internal Audit Manager, Mr Lee Poh Loong. Mr Hong is a Certified Internal Auditor (US) and a Chartered Management Accountant (UK). He is also a Fellow of the Hong Kong Institute of CPAs and domestically, registered with the Malaysian Institute of Accountants. Correspondingly, Mr Lee is a Chartered Member of the Institute of Internal Auditors, Malaysia, a Chartered Management Accountant (UK), as well as a member of the Malaysian Institute of Accountants.  The above personnel are free from any relationships or conflict of interests which could impair objectivity and are organizationally independent of the auditees as Internal Audit reports functionally to the Audit Committee and administratively to the Executive Director.  Internal audit is carried out in accordance with the International Professional Practices Framework of the Institute of Internal Auditors (US).
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

## Intended Outcome

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

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

### Practice 11.1

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

Application	:	Applied	
Explanation on application of the practice	:	<b>Dialogue between Company and Stakeholders</b>  The Company recognises the importance of keeping stakeholders well informed of the Company’s major corporate developments and events. The Board had directed the Company to disclose all relevant information to stakeholders to enable them to exercise their rights. Such information is duly and promptly announced via Bursa Malaysia and other appropriate communication channels.  In particular, dissemination of information includes the distribution of Annual Reports, announcement of quarterly financial performances, issuance of circulars, press releases and holding of press conferences.	
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 11.2

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

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

## Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p><b>Notice of AGM</b></p> <p>The AGM is the principal platform for dialogue with shareholders, wherein, the Board presents the operations and performance of the Company. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Company's business.</p> <p>The Notice of the AGM is issued at least 21 days prior to the date of the general meeting. The Company is of the opinion that the notice period is adequate for the shareholders to go through the Annual Report supporting the resolutions proposed. The notice period of 21 days is in line with Section 316 of the Companies Act 2016 and paragraph 7.15 of the Listing Requirements.</p> <p>The Notice of AGM is being advertised in a nationally circulated newspapers alongside an announcement to Bursa Malaysia. It is also posted on the Company's website concurrently.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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	:	<b>Attendance at AGM</b>  All Directors make it a point to attend AGMs in order to engage with shareholders on their concerns, in particular and quest for information, in general.	
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	:	<b>Facilitation of Shareholders’ Participation</b>  As a listed company with a large number of shareholders, email questions before AGM and proxy voting are encouraged.  To further enhance transparency to all shareholders of the Company, the Company has established a website at <i>www.facbi.com</i> where shareholders can access information encompassing corporate information, financial highlights, annual reports and announcements via Bursa Malaysia Securities Berhad.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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.*

[Click here to enter text.](#)