

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3565
COMPANY NAME : WCE HOLDINGS BERHAD
FINANCIAL YEAR : March 31, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board ensures that strategic plans of the Company and its subsidiaries ("Group") are sustainable by ensuring strategic plans support long-term value creation on aspects of economic, social and environment.</p> <p>The Chairman ensures that decisions are taken on a sound and well-informed basis by ensuring that all strategic and critical issues are considered by the Board and that all Directors received relevant information on a timely basis.</p> <p>The Code on Ethics and Conduct is adopted by the Group to promote a culture of good corporate governance and also reinforces ethical, prudent and professional behaviour.</p> <p>Risk Management and Internal Control Framework that encompasses the Board and senior management oversight in risk management of the Group ensures the Group's business objectives are supported by sound strategy within an accepted level of risk appetite. The Risk Management Committee, annually submits an updated risk profile of the Group to the Audit Committee.</p> <p>The Board, through the Nomination Committee ensures the Board and senior management have the necessary skills, experience and personal attributes to carry out respective duties and responsibilities. The Nomination Committee carries annual evaluation of the Board and Board Committee to ascertain adequacy of required mix of skills, experience and core competencies and to identify areas for improvement. The Nomination Committee also carries out an annual performance appraisal of the Chief Executive Officer to ascertain satisfactory achievement of set key performance indicators.</p> <p>Proposals that require Board approvals are tabled at Board meeting for discussion and adoption prior to implementation. Minutes of meeting of Board Committees are tabled for notation at Board meeting. At the recommendation of the Audit Committee, the quarterly financial reports are tabled to the Board within two months</p> |

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| | <p>from the end of each quarter and the audited annual financial statement of the Company and Group are tabled to the Board within four months from the financial year end of the Company.</p> <p>The Annual Report is a key channel of communication with stakeholders and shareholders. Another important avenue of communication with shareholders is the Annual General Meeting of the Company.</p> | |
| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board.</p> <p>The non-executive Chairman leads the Board by setting the tone at the top and managing the Board's effectiveness by focusing on strategy, governance and compliance. In turn, the Board monitors the functions of the Board Committees in accordance with their respective terms of reference to ensure effectiveness.</p> <p>The Chairman with the assistance of Company Secretary sets the Board agenda for each meeting based on the dates of scheduled Board meetings in the annual meeting calendar, and the same is circulated to the Board Members accordingly.</p> <p>The Chairman promotes a Boardroom environment that allows for expression of views, effective debate and contribution from Board members to facilitate informed decision-making by the Board.</p> <p>During deliberation at Board meetings, the Chairman provides his objective views and decisions to resolve situations when there are differing views between Board Members and the Management. The Senior Independent Director will attend to any concern relating to the Group where the Chairman and the Chief Executive Officer are conflicted.</p> <p>The Senior Independent Director and/or the Chief Executive Officer are the contact persons for reporting of any complaints and/or improper conduct by Directors, senior management or employees.</p> <p>Stakeholders can provide their views to the Senior Independent Director, at any point of time.</p> <p>The roles and responsibilities of the Chairman of the Board is defined in the Board Charter and is available at www.wcehb.com.my.</p> |
| Explanation for departure | : | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |

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Intended Outcome

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

Practice 1.3

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The positions of Chairman and CEO are held by two different individuals. The Chairman, Datuk Ir. Hamzah bin Hasan leads and manages the Board by focusing on strategy, governance and compliance whereas the Chief Executive Officer, Dato' Neoh Soon Hiong manages the business and operations of the Company and group and implements the Board's decisions.</p> <p>The roles and responsibilities of the Chief Executive Officer is defined in the Board Charter and available at www.wcehb.com.my.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.4

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company Secretary is a member of both the Malaysian Institute of Certified Accountants and Malaysian Institute of Accountants, qualified to act as a company secretary under Section 235(2) of the Companies Act 2016.</p> <p>He is assisted by an outsourced professional secretarial service provider. In addition to providing an official contact point in the form of a registered office, the professional service provider assisted the Company Secretary in secretarial record keeping of statutory registers, minute books of the Group and recording the minutes of meeting of Board and Board Committees of the Company.</p> <p>The Company Secretary manages the logistics of all Board and Board Committee meetings, ensuring proper documentation and maintenance of records.</p> <p>The Company Secretaries provide support to the Board in fulfilling its fiduciary duties and assist the Board in shaping the corporate governance of the Group, they also provide advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, best practices and compliance with regulatory requirements, codes, guidance and legislations.</p> <p>The Company Secretaries ensure the due processes and proceedings of Annual General Meeting are in place and properly managed. During the proceeding, the Company Secretary assist the Chairman and the Board on the conduct of the meeting and also ensure that the minutes are properly recorded.</p> <p>The Company Secretaries also monitor the development of Corporate Governance and assist the Board in applying best practices to meet the Board's needs and stakeholders' expectations.</p> |
| Explanation for departure | : | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |

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| Measure | : | | |
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Intended Outcome

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

Practice 1.5

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Board meetings schedule is determined one year ahead to enable Directors to fit their schedules to the Board meeting dates. The calendar provides Directors with scheduled dates for meetings of the Board, Board Committees and Annual General Meeting as well as closed periods for dealings in securities by Directors based on the targeted date of announcement of the Group's quarterly results.</p> <p>Minutes of previous Board meeting were circulated to all Directors at least five days for their perusal/comment or to seek clarification before being included in the Board Papers. The Board Papers were then circulated to all Directors at least five business days before the Board meeting for confirmation at the commencement of the Board meeting as a correct record of proceeding of the previous Board meeting.</p> <p>The Notice of Board meetings are e-mailed to all Directors at least five days prior to a meeting. Going paperless, by default, the Board papers are in pdf format and are e-mailed to all Board members. The paper version of the Board Paper will be sent to Board members that require the paper version.</p> <p>Deliberations and decisions at Board and Board Committee meetings are documented in the minutes including matters where Directors abstained from voting or deliberation.</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board Charter serves as a primary reference for prospective and existing Board members of their fiduciary duties as directors of the Group. It sets out the key values, principles and ethos of the Company.</p> <p>The Board Charter was reviewed and updated on 22 February 2018 and is available on the Company's website at www.wcehb.com.my.</p> <p>The roles and responsibilities of the Board of Directors, Senior Independent Director, Chairman and CEO are clearly outlined in the Board Charter.</p> <p>The Board is also responsible to ensure continuing education/training for the Directors to update their knowledge and enhance their skills through attendance at relevant programmes so as to enable active participation in Board deliberations.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 3.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Code of Conduct and Ethics was aimed to create a corporate culture that operates business in an ethical manner and to uphold high standard of professionalism and exemplary corporate conduct and is applicable to all Directors and employees of the Group.</p> <p>The Code of Conduct and Ethics promotes integrity and ethical conduct/behaviour in all aspects of the Group's operations including privacy and confidentiality of information, inside information and securities trading, conflict of interest, protection of assets and funds, business record and control, compliance to law, health and safety, fair and courteous behaviour. It also sets out prohibited activities or misconduct involving personal gifting, sexual harassment and outside interest.</p> <p>The reporting of unlawful or unethical behaviour is encouraged through the Whistle Blowing Policy and Procedure.</p> <p>The Code of Conduct and Ethics was reviewed on 8 July 2021 and is available on the Company's website at www.wcehb.com.my.</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company's Whistle Blowing Policy fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for exposure of any violations or improper conduct or wrongdoing within the Group.</p> <p>The Policy provides an avenue for directors, employees or any external party to report any breach of any law or regulation, including business principles in a safe and confidential manner. Reporting Individual who is an employee, may choose to report anonymously in good faith is protected from unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Group.</p> <p>Reporting can be made in writing, telephone, fax or e-mail to the Audit Committee Chairman or the Chief Executive Officer.</p> <p>The Whistle Blowing Policy was reviewed on 8 July 2021 and is available on the Company's website at www.wcehb.com.my.</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

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

Practice 4.1

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Board currently has seven members comprising four Independent Non-Executive Directors and three Non-Independent Non-Executive Directors. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.2

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

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

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Board adopted a 12-year policy for Independent Non-Executive Directors as contained in the Board Charter.</p> <p>The Board is of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service. The extended service should not affect their independence, as they are still able to provide independent judgment, experience and objectivity without being subordinated to operational considerations.</p> <p>They are able to ensure that the interest of all shareholders are indeed taken into account by the Board and that relevant issues are subjected to objective and impartial consideration by the Board.</p> <p>The Senior Independent Non-Executive Director, Datuk Oh Chong Peng attained a tenure of fourteen (14) years on 27 September 2021. In accordance with the Company's Board Charter, he will be re-designated as Non-Independent Non-Executive Director. However, in view of his professionalism, experience, objectivity, independent judgement and integrity, and at the recommendation of the Nomination Committee, the Board opines that his services as an effective Senior Independent Non-Executive Director is still required. The Board therefore, wishes to seek shareholders' approval at the forthcoming 20th Annual General Meeting of the Company that he be retained and continue to act as a Senior Independent Non-Executive Director 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> | | |

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

Intended Outcome

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

Practice 4.3 - Step Up

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

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

Intended Outcome

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

Practice 4.4

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Nomination Committee takes into account the current Board diversity in experience, skill, competency, knowledge, potential contribution and boardroom diversity including gender, ethnicity and age when seeking potential candidates. This helps to ensure an appropriate balance between the experience perspective of the long term directors and new perspectives that bring fresh insights to the Board.</p> <p>The members of the current Board are professionals in the field of engineering, finance, accounting, economic, legal, manufacturing and experienced senior public administrator and together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience to ensure that the Group continues to be a competitive leader with a strong reputation for technical and professional competence.</p> <p>To ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively, the criterion determined by the Board in determining candidates for potential Directors is that they must not hold directorship of more than five public listed companies. Compliance to this criterion is expected for all Directors of 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

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

Practice 4.5

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

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board is mindful of achieving gender balance and recruitment of female candidates is part of the objective of the Nomination Committee. In this regard, sourcing for female candidates is always an integral part of the recruitment of new directors for the Company. | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.6

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>In identifying potential candidate for appointment as directors, the Nomination Committee is not limited by recommendation from existing board members, management or major shareholders. The Committee may source the potential candidates from directors' registry, open advertisement or through independent search firms.</p> <p>During the financial year, on 22 February 2021, the Nomination Committee deliberated on Datuk Oh Chong Peng (Datuk Oh) achieving a tenure of 14 years on 27 September 2021 (of which Datuk Oh abstained from the deliberation). The Committee noted:</p> <ul style="list-style-type: none">(a) Datuk Oh's understanding of the Company's business operations and of his ability to participate and contribute actively during deliberations / discussion at meetings of the Audit Committee (AC), Nomination Committee (NC), Remuneration Committee (RC) and the Board,(b) He has vast experience and exposure in the areas of auditing and accountancy work,(c) He fulfils the criteria under the definition of independent director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, therefore able to bring independent and objective judgement to the Board,(d) He has exercised due care during his tenure as an Independent Non-Executive Director of the Company and carried out his duties professionally in the interest of the Company and shareholders, and(e) He has contributed sufficient time and effect, attended all the meetings of the AC, NC, RC and Board held during the financial year ended 31 March 2021 as well as met Management as and when required for informed and balanced decision making. <p>After due deliberation, the Nomination Committee recommended the continuance of service of Datuk Oh as an Independent Non-Executive Director to the Board for Shareholders' approval at the forthcoming 20th Annual General Meeting of the Company.</p> |
| Explanation for departure | : | |
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Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

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

Intended Outcome

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

Practice 4.7

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

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| Application | : | Applied |
| Explanation on application of the practice | : | The membership of Nomination Committee is set out in its Terms of Reference and is available on the Company's website, www.wcehb.com.my . The current Chairman is Datuk Wira Hj. Hamza bin Taib, an Independent Non-Executive Director. |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>On 22 February 2021, the Nomination Committee satisfactorily carried out an annual evaluation to assess the performance and effectiveness of individual Directors, Board of Directors, Board Committees and the Chief Executive Officer. In respect of Independent Directors, the Committee assesses the independence of the Independent Directors.</p> <p>The assessment on individual Directors, Board of Directors and Board Committee were carried out using prescribed evaluation questionnaires and checklists, consisting mainly of Board Evaluation Form, Directors' Self Evaluation Form and Audit Committee Members' Self Evaluation Form. Independent Directors have additional questionnaire such as the Independent Directors' Self Evaluation.</p> <p>The Nomination Committee also evaluated:</p> <p>(a) effectiveness of the Audit Committee using the Audit Committee Evaluation Questionnaire; and</p> <p>(b) adequacy of Board skill sets using the Board Skills Matrix Form.</p> <p>The Nomination Committee also satisfactorily carried out performance appraisal of the Chief Executive Officer. His appraisal is benchmarked to the Progress of the West Coast Expressway Project.</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 6.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has established a Remuneration Committee with the objective of maintaining a remuneration policy that attracts, retains, motivates high calibre executive directors/chief executive officer and senior management. The policy is also to ensure the remuneration policy of the Group appropriately compensates the contribution of the executive directors/chief executive officer and senior management of the Group.</p> <p>The Remuneration Committee reviews the remuneration of members of the Board, Board Committees, and recommends to the Board for approval.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.2

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | The Remuneration Committee comprises mainly Independent Non-Executive Directors. The terms of reference of the Remuneration Committee were reviewed and updated on 22 February 2018 and is available on the Company's website, www.wcehb.com.my . |
| 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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The disclosure on named basis for the remuneration of individual directors is in the Company's Annual Report. The remuneration breakdown of individual directors includes fees, benefits-in-kind and meeting allowances. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.2

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

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Company had disclosed the top five senior management remuneration on aggregate basis without being named and in each successive band of RM50,000.00. | |
| | | The Company chose not to disclose the remuneration of the individual senior management on named basis as the Company believes this information will not add to the understanding and evaluation of the Company's governance and may possibly pose security risks to the individuals. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.3 - Step Up

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

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

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

There is an effective and independent Audit Committee.

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

Practice 8.2

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

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|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The terms of reference of the Audit Committee requires the observation of a cooling-off period of at least three years for a former key audit partner prior to the appointment as a member of the Audit Committee.</p> <p>The terms of reference of the Audit Committee and is available on the Company’s website, www.wcehb.com.my.</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 | : | <p>Prior to the commencement of audit, the external auditors presented to the Audit Committee its Audit Plan which outlines its engagement team, audit timeline, risk assessment and audit approach and their focus on key audit matters and an update to accounting development since the previous financial year. The Audit Plan has explicit confirmation of compliance to the requirement of independence pursuant to International Standards on Auditing. Upon completion, the external auditor presented to the Audit Committee an Audit Committee Memorandum which updates the Audit Committee on the status of the audit, audit findings, potential key audit matters and outstanding matters.</p> <p>The Audit Committee also reviews the provision of non-audit services provided by the external auditors on the Company to assess if it in any way impairs their objectivity and independence as external auditor of the Company for the financial year.</p> <p>These formed part of the Audit Committee's assessment of suitability, objectivity and independence of the external auditors. Based on the outcome of its assessment, the Audit Committee decides whether or not to recommend to the Board for the shareholders' approval for the re-appointment of external auditors at the coming Annual General Meeting.</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 8.4 - 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>The Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants and the members of the Committee have experience and expertise in legal and financial service industry to effectively discharge their duties.</p> <p>All members of the Audit Committee have attending training programmes to keep abreast of relevant industry development and business practices in accordance to their needs.</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 9.1

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board acknowledges its responsibilities for maintaining reliable system of internal controls within the Group which covers financial controls, operational and compliance controls and risk management.</p> <p>The Audit Committee is entrusted to provide advice and assistance to the Board in fulfilling its statutory and fiduciary responsibilities relating to the Company and Group's internal audit functions, risk management and compliance systems and practices, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business.</p> <p>The Risk Management System ("RMS") is used to manage key business risks and to provide assurance to the Board and stakeholders that the risks faced by the Group are adequately and effectively managed and the shareholders' investment and the Group's assets are safeguarded. The effectiveness of the Group's RMS is reviewed and improved, both at the management and the Board levels, as and when necessary.</p> <p>The Risk Management Committee ("RMC") is chaired by the Chief Executive Officer and its members comprise senior management of the Group, reports to the Audit Committee.</p> <p>Annually, the RMC reviews responses to significant risks identified including non-compliance with applicable laws, rules, regulations and guidelines and provides assurance to the Board that processes put in place continue to operate adequately and effectively. As the business risk profile changes, new area are introduced in the risk management process.</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 make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

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

Practice 9.2

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group has in place an established risk management framework for managing risks affecting its business and operations. Key business risks are documented in the risk profile that addresses risks to the achievement of strategic, financial and operational objectives. The risk profile lists all identified risks and thereafter assesses the likelihood of occurring and its quantitative and qualitative impact to the Group. It also lists controls and measures used to monitor and mitigate those risks.</p> <p>Principal Risk identified during the financial year were reported in the Statement of Risk Management and Internal Control in the 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 9.3 - 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 | : | Not Adopted |
| Explanation on adoption of the practice | : | |

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 Group's internal audit service is outsourced to a professional firm that performs reviews of business processes to assess the effectiveness of internal controls and reports to the Audit Committee.</p> <p>Internal audit plan is reviewed and approved by the Audit Committee. Details of the activities of Internal Audit function is in the Audit Committee Report of the 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 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 outsourced professional firm that performs internal audit service has confirmed that it is free of any relationship or conflict of interest that could impair its objectivity and independence. The internal audit schedule in the Annual Internal Audit Plan is approved by the Audit Committee.</p> <p>The Audit Committee Report in the Annual Report provides further information of the activities of the Internal Audit service provider.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 11.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board ensures that the Company announces its quarterly results on a timely basis to the shareholders and including necessary announcements to its stakeholders.</p> <p>The Board also ensures shareholders are given opportunity to speak and seek clarification during the Company's Annual General Meeting, for effective and transparent communication with its shareholders.</p> <p>The Company also has a website at www.wcehb.com.my as an avenue to disseminate corporate and financial information.</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 | : | The Company will consider adopting integrated reporting in the near future. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.1

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Notice of Annual General Meeting to shareholders is dated 23 July 2021, which is more than 28 days' notice for holding Annual General Meeting on 24 August 2021. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | All Directors attend the Company's General Meeting. The Chairman of the Audit Committee, Nomination Committee, Remuneration Committee, Executive Committee and Risk Management Committee are present at the meeting to provide response if there are any questions addressed to them. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.3

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

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Company has adopted electronic voting for the conduct of polls on all resolutions.</p> <p>In view of the Covid-19 pandemic and as part of the Company's precautionary measures, the forthcoming 20th AGM of the Company will be held fully virtual through live streaming and online remote voting using the Remote Participation and Voting Facilities.</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 | : | | |

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

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

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