

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7003
COMPANY NAME : Y&G Corporation Bhd
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfils the requirements mandated by the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). All Directors have extensive experience, qualifications, skills and knowledge in which the details are disclosed in the profile of each individual Director in the Annual Report.</p> <p>The Board delegates specific powers to the Board Committees namely, Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, Group Non-Executive Chairman and Managing Director, the details of which are set out in the Board Charter and the Annual Report. The day-to-day management of subsidiaries is headed by the senior management team under the leadership of both respective subsidiaries' Directors and the Group's Managing Director.</p> <p>These Committees have the authority to examine particular issues and report back to the Board with their findings and recommendations. However, the ultimate responsibility for decision on all important matters lies collectively with the Board.</p> <p>The Board is responsible for the proper stewardship of the Company and its subsidiaries ("the Group"). The Group is to ensure the maximisation of shareholders' value and safeguarding the stakeholders' interests, including securing sustainable long-term financial results and increasing shareholder value, with the proper social and environmental considerations.</p> |

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| | <p>The responsibilities of the Board are clearly defined below:</p> <ul style="list-style-type: none"> • Primary responsibilities as set out under the MCCG; • Reviewing and approving the Group’s strategic plans and investments; • Formulating policies and overseeing the business operations of the Group; • Reviewing adequacy of internal control; • Identifying principal risks and systems that manage these risks; • Establishing a succession plan for key management personnel; • Overseeing the development and implementation of investor relations policy. <p>The Board is also responsible to promote an effective execution of good corporate governance and a corporate culture of ethical conduct, especially among its members and generally that would permeate throughout the Company by way of verbal communications and evidenced by the Board Charter. As part of its continuous effort to promote good corporate governance, periodical updates on the codes are informed to stakeholders by way of detailed reports in the Annual Report circulated every once a year. Hence, the Board is collectively sound and has sufficient knowledge and expertise to enable effective governance and oversight.</p> <p>All Directors have full and timely direct access to information concerning the Company and the Group including:</p> <ul style="list-style-type: none"> • Advices and services of the Group’s Company Secretaries and senior management in the Company; • If necessary, obtaining other independent professional advices at the Company’s expense in order to discharge their duties effectively. <p>Prior to the Board Meetings, the Agenda for each meeting together with reports and notices containing information relevant to the business of the meetings (including information on major financial, operational and corporate matters as well as activities and performance of the Group and minutes of Committees of the Board and Board Meetings) are circulated to the Board members one (1) week before the meeting date to provide time for the Board members to read and deliberate the issues. During Board Meetings, management provides further details on each issue raised for discussion or as supplementary information and the Internal Auditor is invited to be presence and called in to share advice and opinions on matters pertaining to governance and controls.</p> <p>Attendance of Board Meetings for the financial year ended 31 December 2017 are shown in Page 12 of the Annual Report.</p> |
| <p>Explanation for departure</p> | <p>:</p> |

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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

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 role of the Chairman is stated in Clause 2(b) of the Board Charter.</p> <p>The Board is helmed by the Chairman, Mr. Lee Boon Hong @ Lee Boon Keong who constantly promotes constructive and healthy debate. All the Directors are given their chance to express their views freely and deliberate on any issues and the Chairman ensures quality information is delivered to the Board to facilitate decision-making in a timely manner. He also ensures integrity and effectiveness of the governance processes of the Board and Board's proceedings are in compliance with good conduct and best practices.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.3

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Chairman of the Board is Mr. Lee Boon Hong @ Lee Boon Keong and the role of CEO is led by Dato' Sri Yap Seng Yew, who is the Managing Director ("MD") of the Group.</p> <p>The Board exercises the separation of the positions and roles of the Chairman and MD and this would provide good perception to the Company as it promotes accountability and facilitate division of responsibilities between the executive and non-executive functions.</p> <p>The separate distinct functions and responsibilities are reflected in the Board Charter.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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 Board is assisted by two (2) qualified Company Secretaries who both are the members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>Both Ms. Rebecca Lee Ewe Ai and Mr. Lee Wee Hee have more than 20 years of corporate experience in secretarial matters and are able to keep themselves abreast of the latest regulatory changes and any new developments in corporate governance.</p> <p>They are responsible for ensuring that Board procedures and meetings are governed and followed, proper records of all proceedings and resolutions are taken and maintained in the statutory records of the Company and all rules and regulations for the conduct of the affairs of the Board are complied.</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 1.5

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>Prior to the Board Meetings, the Agenda for each meeting together with reports and notices containing information relevant to the business of the meetings (including information on major financial, operational and corporate matters as well as activities and performance of the Group and minutes of Committees of the Board and Board Meetings) are circulated to the Board members seven (7) days before the meeting date to provide time for the Board members to read and deliberate the issues. During Board Meetings, the Management provides further details on each issue raised for discussion or as supplementary information, and consultants (including the Internal and External Auditors) may be invited to provide further insight.</p> <p>All proceedings of the Board Meetings were minuted, circulated to all members before being presented in the next meeting for confirmation and signed by the Chairman of the 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 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 has formalised a Board Charter which includes, inter-alia, the authorities, duties and responsibilities of the Board, Board Committees, individual Directors and management and the roles of Chairman, Managing Director and the Board Committees.</p> <p>The Board Charter is published on the Company's website at www.ygcorp.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 3.1

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 Board is guided by the Code of Conduct and Ethics and all Board members, management and employees are required to adhere to these principles in ensuring good corporate governance and to act in good faith and in the best interest of the Company and the Group at all times.</p> <p>This policy is reviewed on a two-year basis or at any earlier interval when required.</p> <p>The Code of Conduct and Business Ethics is available on the Company's website at www.ygcorp.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 is committed to conduct its businesses in an open and fair manner, practice a healthy working environment and aims to become one of the respected and trusted company as stated in the Code of Conduct and Ethics.</p> <p>With this, the Company has established the Whistle Blowing Policy which acts as a bona-fide platform and an important aspect where individuals such as clients, suppliers, staff, company or any other stakeholders can raise their concerns about risk, malpractice or wrongdoing that may affect others.</p> <p>Individuals are encouraged to raise genuine concerns whenever they discover information which they believe may lead to serious malpractices.</p> <p>The Whistle Blowing Policy is available on the Company's website at www.ygcorp.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

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 | : | <p>The Board has six (6) members, comprising:</p> <ul style="list-style-type: none"> a. One (1) Independent Non-Executive Chairman b. One (1) Managing Director c. One (1) Deputy Managing Director d. One (1) Executive Director e. Two (2) Independent Non-Executive Directors <p>Half of the Board comprises Independent Directors. The Chairman is an Independent Non-Executive Director.</p> <p>The Board is satisfied with all the Directors' annual performance evaluations and independence tests carried out in 2017 which is in line with the MMLR.</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 4.2

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>Both Mr. Lee Boon Hong @ Lee Boon Keong and Encik Mohd. Shafizan bin Shahbudin have served the Board for more than nine (9) years as the Independent Non-Executive Directors.</p> <p>Both Mr. Lee and Encik Shafizan will seek shareholders' approval to retain them as the Independent Non-Executive Directors via a normal (single-tier) voting process as the Company has yet to amend its articles of association.</p> <p>The justifications for retaining both of them are set out in the Notice of AGM's Appendix 1 of the Annual Report.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | The Company will amend its articles of association soon to retain Independent Director after serving a cumulative term of more than twelve (12) years which will enable the Board to seek annual shareholders' approval through a two-tier voting process at the AGM. |
| Timeframe | : | Within 1 year |

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>The Company places great emphasis on the principle of diversity and recognises the benefits of diversity in its broadest sense and considers diversity at the Board level and Senior Management level to be an essential element of ensuring the effectiveness of the Board and Senior Management.</p> <p>The Board, through the Nomination Committee, has in place procedures in considering the composition of the Board and Senior Management personnel. The Board Committee and Senior Management personnel shall have right blend of skills, experience, competencies, gender, age, cultural background, ethnicity and other qualities that can contribute long-term value to the Board.</p> <p>The Board has in place a Diversity Policy for both the Board and Senior Management which will be reviewed periodically.</p> <p>The details of the employment diversity within the Group is disclosed under the Corporate Governance Overview Statement's Principle A (Board Leadership and Effectiveness) of the Annual Report.</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 4.5

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 | : | <p>The Board currently has six (6) Directors, of whom only one (1) Director is a woman. This constitutes 16% of the Board.</p> <p>For the Management team, there are seven (7) women serving as Manager level and above in the Group, which constitutes 44% female representation.</p> <p>With the continuous initiatives and efforts taken by the Board in cultivating female employees, the number of female employees has risen in recent years to 36% if both Board and Management team are combined.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | The Board is moving towards a more gender equality for the Board members. The Board will focus on getting the participation of women and those of different ethnicity on its Board and the person selected must be able to contribute positively to the development of the Group. |
| Timeframe | : | Others |

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>The Board has delegated to the Nomination Committee (“NC”) to do screening and conduct evaluation process for selection of new Directors and re-election of retiring Directors. NC is also responsible to recommend to the Board on the appointment of new Senior Management personnel for the Group.</p> <p>NC has the authority to engage consultants/recruitment firms to source suitably qualified candidates for directorship and/or management personnel as well as to seek any independent advice whenever necessary.</p> <p>During the year, NC has engaged a third-party consultant to assist in sourcing for suitable and appointment of Senior Management personnel according to the approved Board Selection Criteria.</p> <p>There were no changes on directorship during the year.</p> <p>The duties and functions of the NC are set out in the Board Charter.</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 4.7

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 Chairman of the NC is Encik Mohd. Shafizan bin Shahbudin who is an Independent Non-Executive Director. | |
| 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

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 | : | The Board, through NC and with the assistance from the Company Secretaries, had conducted an annual assessment via questionnaires on the Board, Board Committees, MD, Deputy MD, Executive Director and the Chairman. The NC and the Board considered the assessment results of the independence of Directors and are satisfied that they met the criteria. The criteria in this assessment is updated periodically and is aligned with the practices of the Malaysian Code on Corporate Governance ("MCCG"). | |
| 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 the Remuneration Committee ("RC") to bring significant benefits to the Company and the Group by way of achieving a balance between setting the level and structure of the remuneration packages of Directors and Senior Management, in order to be able to attract, motivate and retain them.</p> <p>The RC considers factors such as remuneration paid by comparable companies, time commitment and responsibilities of Managers in order to encourage and enhance their performances in a fair, transparent and responsible manner.</p> <p>The Remuneration Policy is periodically reviewed and is available on the Company's website at www.ygcorp.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 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 RC is established to carry an annual remuneration review on Directors and Senior Management and provides recommendation to the Board. This review ensures that the remuneration package commensurate with their performance and contribution to the Company and remains attractive to retain the Directors and Key Senior Management. The Terms of Reference of the RC is accessible on the Company's website at www.ygcorp.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 details of each individual Director's remuneration comprising fee, salary, bonus, allowance and benefit for the current financial year are disclosed on named basis under the Corporate Governance Overview Statement's Principle A (Board Leadership and Effectiveness) of the Annual Report. | |
| 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

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 is of the opinion that it is not in the best interest of the Company to disclose the detailed remuneration of all the Senior Management given that disclosure of such sensitive information would lead to competitiveness in retaining good Senior Managers in the property market. The remuneration of Senior Management is evaluated and reviewed annually where their remuneration package is benchmarked with individual performance and is in line with the industry practice. | |
| | | Please provide an alternative practice and explain how the alternative practice meets the intended outcome. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Others | Please specify number of years. |

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 | : | <p>The Audit Committee ("AC") is chaired by Mr. Tan Kak Teck who is an Independent Non-Executive Director and he is not the Chairman of the Board. The Chairman of the Board is Mr. Lee Boon Hong @ Lee Boon Keong.</p> <p>Mr. Tan has been appointed as the AC's Chairman since 15 April 2015, and he is a member of Malaysian Institute of Accountants and a Fellow Member of Association of Chartered Certified Accountants.</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 8.2

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 | : | None of the members of the Board are a former key audit partner of the External Auditors that shall be subject to a cooling-off period of at least two years before being appointed as a member of the AC. The Term of Reference of the AC is available on the Company's website at www.ygcorp.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

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.

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|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The AC conducts an annual review and monitors the suitability and independence of the Group's External Auditor, Messrs. T. H. Kuan & Co. ("THK").</p> <p>The AC maintains a close and transparent professional relationship with THK where full assistance is extended to enable them to discharge their duties effectively. The AC also liaises with them in seeking advice and ensuring compliance with the applicable approved FRS and the provisions of the Companies Act 2016 in Malaysia.</p> <p>The AC met THK in two (2) private sessions without the presence of Management to discuss audit related matters that they wish to raise directly with the AC during the current financial year.</p> <p>On 23 November 2017, the AC reviewed the Audit Planning Memorandum (APM) and new accounting standards presented by THK. After due discussion and deliberation, the Audit Committee approved the APM.</p> <p>On 27 February 2018, the AC deliberated and approved the Group's audit fee for the current financial year ended 31 December 2017 and made recommendation 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

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 | : | Adopted |
| Explanation on adoption of the practice | : | All AC members are 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.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The AC is chaired by Mr. Tan Kak Teck who is a member of Malaysian Institute of Accountants (MIA) and a Fellow Member of Association of Chartered Certified Accountants (ACCA).</p> <p>All the members in AC have quite extensive experience and equipped with the business knowledge and skills.</p> <p>The AC members have attended several continuing professional development training programs in 2017 which have been specified 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 9.1

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The functions of the AC have been expanded to ensure risk management and proper internal controls are in place with an adequate awareness and understanding of risk by the Management and to safeguard shareholders’ interests and the Company’s assets.</p> <p>The Board delegates the determination of risk appetite to the Risk Management Committee (RMC) and ensures that risk appetite is in line with the Group’s strategy.</p> <p>The information on risk management framework and internal control system are disclosed under the Statement of Risk Management and Internal Control 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 make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

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

Practice 9.2

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The key features of the Company’s risk management framework and internal control system and its adequacy and effectiveness can be found under the Statement of Risk Management and Internal Control in the Annual Report. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 9.3 - Step Up

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

| | | |
|--|---|---|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | <p>The Board has, on 23 November 2017, established a Risk Management Committee ("RMC") comprising majority of Independent Non-Executive Directors which is chaired by the Executive Director. The RMC is assisted by Risk Management Working Group ("RMWG") which members consist mainly of all Departmental Heads of the Group. The RMC meets quarterly and deliberates on top risks identified through the RMWG, before forwarding to the AC for further deliberation.</p> <p>Both the RMC and RMWG are committed to achieve the Group's strategic plans and ensure overall risks are communicated appropriately to all levels.</p> <p>There was no significant risk issue that was above the risk tolerance level of the Board nor any material weakness in the risk management and internal control which could result in any significant losses.</p> |

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 has outsourced the internal audit function to an independent professional service provider (“Outsourced IA”) which reports directly to the AC.</p> <p>The AC reviews the work of the Outsourced IA periodically to ensure it provides independent, objective assurance and consulting services to enhance the organisational value.</p> <p>In December 2017, the AC has decided to appoint a new Outsourced IA to help in promoting further new ideas and supporting the development of its internal audit function. The new Outsourced IA has signed a Contract on their engagement that they will apply and uphold the principles as set forth in the Institute of Internal Auditors’ Code of Ethics when providing their internal audit services.</p> <p>In February 2018, the new Outsourced IA tabled and briefed AC on the proposed Internal Audit Plan for 2018. This proposed audit plan was prioritised according to the risks recommended by the RMC. After review and discussion, the AC has approved the Internal Audit Plan.</p> <p>The activities of the internal audit function carried out by the previous Outsourced IA in 2017 are set out in the Audit Committee Report 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 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 IA is independent and free from any business relationships or conflict of interest situation when conducting any internal audit activities.</p> <p>The new Outsourced IA comprises twelve (12) personnel based in their office. The Head of Internal Audit, Mr. Jason Tee, is an associate member of the Institute of Internal Auditors, Malaysia (IIAM). The Outsourced IA is governed by the Internal Audit Charter approved by the AC and is guided by the International Professional Practices Framework and has adopted the principles and guidelines in ISO 31000:2009 Risk Management.</p> <p>The AC is also satisfied that the new Outsourced IA has the necessary competencies, experience and sufficient resources to carry out the internal audit function effectively.</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 acknowledges the importance of establishing a direct line of communication with shareholders and investors through timely dissemination of information on the Group's performance and operations via distribution of annual reports and relevant circulars, and release of quarterly financial results, press releases and announcements.</p> <p>Nevertheless, the Company recognises that electronic media via its website is used as the primary communications channel to promote instant communication and wide coverage to the shareholders. Shareholders and investors can enquire about investor relations matters via the Company's website at www.ygcorp.com.my.</p> <p>The Company also embraces importance of social media as a trustworthy communication to reach wider audiences and different groups of stakeholders.</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 | : | Not applicable as the Company is not a Large Company as defined by the MCCG. | |
| | | N/A | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please provide an explanation for the departure. | |
| Timeframe | : | Others | Please specify number of years. |
| | | | |

Intended Outcome

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

Practice 12.1

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Company sends out the Notice of AGM, together with its Explanatory Notes and the 2017 Annual Report at least 28 days before the AGM, to allow sufficient time for shareholders to make arrangement to attend either in person, by corporate representative, proxy or attorney.</p> <p>The Proxy Form is also sent to shareholders at least 28 days prior to the date of the AGM to give sufficient time for shareholders to consider the resolutions that will be discussed and decided at the AGM, and to arrange for proxies to attend the AGM on their behalves, if so required.</p> <p>The Notice AGM is published in The Star newspapers and made available on the Company's website.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>All the Directors and the Chairpersons of AC, NC, RC and RMC including the Management and External Auditors, attended the AGM to respond to the shareholders' queries and clarifications addressed to them, if any.</p> <p>During the meeting, the Board encouraged participation from the shareholders by having a question and answer session.</p> <p>The proceedings of the meeting are recorded in minutes of the meeting and the Summary of AGM Key Matters is disclosed on the Company's website.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.3

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

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company gives shareholders at least 28 days from the Notice of the AGM to make their arrangements to attend the AGM. The venue of the AGM is in a location easily accessible by its shareholders and remote shareholder participation is not applicable to the Company.</p> <p>Alternatively, shareholders who are unable to attend the AGM can send proxies to participate and vote on their behalves.</p> |
| Explanation for departure | : | Please provide an explanation for the departure. |
| | | Please provide an alternative practice and explain how the alternative practice meets the intended outcome. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : | Choose an item. |

**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.

| |
|----------------|
| Not Applicable |
|----------------|