

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 7003  
**COMPANY NAME** : Y&G Corporation Bhd  
**FINANCIAL YEAR** : December 31, 2019

## **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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfils the requirements of the Main Market Listing Requirements ("<b>MMLR</b>") of Bursa Malaysia Securities Berhad ("<b>Bursa Securities</b>"). All Directors have extensive experience, qualifications, skills and knowledge, the details of which are disclosed in the profile of each individual Director in the Annual Report.</p> <p>The Board is responsible for the proper stewardship of the Company and its subsidiaries ("<b>the Group</b>"). 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> <p>In order to ensure the effective discharge of its functions and responsibilities, specific powers of the Board are delegated to the relevant Board Committees, Group Non-Executive Chairman, Managing Director, Deputy Managing Director and Executive Director. The Board Committees comprise Audit and Risk Committee ("<b>ARC</b>"), Nomination Committee ("<b>NC</b>") and Remuneration Committee ("<b>RC</b>").</p> <p>In discharging its duties and responsibilities, the Board is governed by its Board Charter, outlining the relevant matters and authority, including those reserved for the Board's approval, and those which the Board may delegate to the Board Committees and the Management.</p> <p>The Board reviewed and deliberated the business plan, strategic plan and/or proposals presented by the Management bearing in mind any major change/revision/update discussed during the quarterly Board meeting accordingly.</p>

	<p>The Board Committees have the authority to examine particular issues and report 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 responsibilities of the Board are clearly defined below:</p> <ul style="list-style-type: none"> <li>• Primary responsibilities as set out under the Malaysian Code on Corporate Governance (“<b>MCCG</b>”);</li> <li>• Reviewing and approving the Group’s strategic plans and investments that integrate business sustainability involving economic, environmental and social considerations;</li> <li>• Formulating policies and overseeing the business operations of the Group;</li> <li>• Reviewing adequacy of internal control;</li> <li>• Identifying principal risks and systems that manage these risks;</li> <li>• Establishing a succession plan for key management personnel; and</li> <li>• Overseeing the development and implementation of investor relations policy.</li> </ul> <p>The Board is also responsible for promoting 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 communication. As part of its continuous effort to promote good corporate governance, the Board, the Board Committees and each individual Director are annually assessed on their effectiveness in fulfilling their roles and responsibilities as disclosed in the Annual Report circulated 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"> <li>• Advice and services of the Group’s Company Secretaries and senior management in the Company;</li> <li>• If necessary, obtaining other independent professional advice at the Company’s expense in order to discharge their duties effectively.</li> </ul> <p>Attendance of Board Meetings for the financial year ended 31 December 2019 is shown on Page 13 of the Annual Report.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<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 by encouraging active participation, discussion and allowing dissenting views to be freely expressed during Board and shareholders’ meetings. All the Directors are given a 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. He maintains effective communication with stakeholders and communicates his views to the Board as a whole. At the same time, he manages the interface between Board and the Management.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 of the Group.</p> <p>The Board exercises the separation of the positions and roles of the Chairman and Managing Director to promote accountability and to 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>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the financial year, the Board was supported by two (2) qualified Company Secretaries. Both Company Secretaries are qualified to act as Company Secretary under Section 235 of the Companies Act 2016, of which one is a Fellow Member and the other, an Associate Member of the Malaysian Institute of Chartered Secretaries &amp; Administrators.</p> <p>The Company Secretaries provided the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, codes, guidance and legislation.</p> <p>All Directors also had full and unrestricted access to the advice and services of the Company Secretaries. The Board was regularly updated on new guidelines, directives and new regulatory issues affecting the Group by the Company Secretaries as well as external consultants. The Company Secretary together with the Managing Director, Executive Director and Management assisted the Chairman of the Board and Chairman of the Board Committees to deal with the Board agendas and to provide the relevant information and documents to Directors on a timely basis. The Board was satisfied with the support and performance rendered by the Company Secretaries in assisting the Board to discharge its duties.</p> <p>The Board was of the view that the Company Secretaries had been competent and kept themselves abreast with the evolving regulatory changes and developments through continuous education programmes and attendance of relevant conferences, seminars and training programmes.</p> <p>The Board was satisfied with their performance and support rendered by the Company Secretaries to the Board.</p>
<b>Explanation for departure</b>	:	

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



### Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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 last Board Committees and Board meetings) were circulated to the Board members at least 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 provided further details on each issue raised for discussion or as supplementary information, and consultants (including the Internal and External Auditors) were invited to provide further insight.</p> <p>The deliberations and decisions at Board and Board Committee meetings were well documented in the minutes, including matters where Directors abstained from voting or deliberation.</p> <p>The Company Secretaries will circulate the draft minutes of meetings to the Board and Board Committee for review and comment before the next meetings. At the next meetings, the minutes were tabled for the Board's confirmation and signed by the respective Chairman as true and correct record of proceedings.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised a Board Charter which includes, <i>inter-alia</i>, the authorities, duties and responsibilities of the Board, Board Committees, individual Directors, Company Secretary and Management and the roles of Chairman, Managing Director, Deputy Managing Director and Executive Director and the terms of reference of the respective Board Committees.</p> <p>The Board Charter was last updated in May 2019.</p> <p>The Board Charter is published on the Company's website at <a href="http://www.ygcorp.com.my">www.ygcorp.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board, Management and all employees of the Group are guided by the Code of Conduct and Ethics. They are required to adhere to these principles in ensuring good corporate governance, instill professionalism and ethical conduct 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 Ethics is available on the Company’s website at <a href="http://www.ygcorp.com.my">www.ygcorp.com.my</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company is committed to conduct its businesses in an open and fair manner, practice a healthy working environment and aims to create an exemplary corporate culture of the highest standard of professionalism and ethical conduct 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 able to raise/voice concerns internally in a responsible and effective manner 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 <a href="http://www.ygcorp.com.my">www.ygcorp.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has six (6) members, comprising:</p> <ul style="list-style-type: none"><li>a. One (1) Independent Non-Executive Chairman</li><li>b. One (1) Managing Director</li><li>c. One (1) Deputy Managing Director</li><li>d. One (1) Executive Director</li><li>e. Two (2) Independent Non-Executive Directors</li></ul> <p>Half of the Board comprises Independent Directors. The Board's Chairman is an Independent Non-Executive Director.</p> <p>The Board assisted by the NC, assesses the independence of the Independent Non-Executive Directors via an individual declaration process by every Director, on an annual basis.</p> <p>Based on the outcome of the individual declarations carried out for the financial year, the Board is satisfied with the level of independence of the Independent Non-Executive Directors and their ability to act in the best interest of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>1. The Board sought shareholders' approval to retain the Independent Directors who served for a cumulative period of more than nine (9) years with justifications.</p> <p>As at the reporting date, both Mr. Lee Boon Hong @ Lee Boon Keong and Encik Mohd Shafizan bin Shahbudin served more than nine (9) years as Independent Directors. The Board through its NC had conducted an assessment of the independence of all its Independent Directors and was satisfied that the Independent Directors have fulfilled the criteria under the definition of Independent Director as stated in the MMLR and are able to provide objective and independent judgment in deliberation of the Board's agenda. Based on the Board's assessment, the Board is recommending to put forward a resolution at the forthcoming 54<sup>th</sup> Annual General Meeting ("AGM") to retain both Mr. Lee Boon Hong @ Lee Boon Keong and Encik Mohd Shafizan bin Shahbudin as Independent Directors notwithstanding that their tenure as Independent Directors has exceeded the nine (9) years limit as recommended under MCGG.</p> <p>The Board's and NC's justifications to retain Mr. Lee Boon Hong @ Lee Boon Keong and Encik Mohd Shafizan bin Shahbudin (both hereinafter referred to as "the INEDs") are premised on the following:-</p> <ul style="list-style-type: none"><li>• The INEDs continue to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of MMLR;</li><li>• During their tenure in office, the INEDs have not developed, established or maintained any significant personal or social relationships whether direct or indirect with the Executive Director(s), major shareholders or management of the Company (including their family members) other than normal engagements and interactions on</li></ul>

	<p>a professional level consistent and expected of them to carry out their respective duties. Mr. Lee is the Chairman of the Board and member of the ARC, Nomination Committee and Remuneration Committee whilst Encik Mohd Shafizan is the Chairman of the Nomination Committee and member of the ARC and Remuneration Committee;</p> <ul style="list-style-type: none"> <li>• During their tenure in office, the INEDs have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, the Executive Director(s), major shareholders or management of the Company (including their family members) within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the MMLR;</li> <li>• During their tenure in office as Independent Non-Executive Directors in the Company, the INEDs have not been offered or granted any options by the Company. Other than directors' allowances paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to them by the Company;</li> <li>• During their tenure in office, the INEDs demonstrated consistently their integrity, commitment and contributed effectively to the Board's decision-making process; and</li> <li>• During their tenure in office, the INEDs gained significant and detailed understanding and insights into the business operations, and industry sectors in which the Group operates in. This includes an understanding of the peculiarities, strengths and weaknesses of the industry sectors thereby enabling them to offer a different perspective during the decision-making process which a fresh appointee or a director holding office for a short length of time would not be able to offer.</li> </ul> <p>2. The INEDs' tenure in office as Independent Directors have passed nine (9) years and exceeded twelve (12) years. The Board has opted not to adopt the two-tier voting process recommended under MCGG to retain Independent Directors who have served for a cumulative period of twelve (12) years or more.</p> <p>As the 2 tier voting process is a recommendation and not mandatory under the MMLR, the Board will seek shareholders' approval to retain the Independent Directors to serve the Company by way of an Ordinary Resolution passed in accordance with the Company's existing Constitution and the provisions of the Companies Act 2016.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</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><b>Measure</b></p>	<p>: The Board is of the opinion that the two-tier voting outlined in the MCGG is not compatible with the provisions in the Companies Act 2016 and the Company's Constitution, as the right of the shareholders, including the right to vote, shall rank pari passu. An ordinary</p>

	<p>resolution which is passed by a majority of shareholders must be regarded as having been validly passed as a matter of law irrespective of whether a majority of both the Large Shareholders and other shareholders had voted in favour of such a resolution as required under the MCGG.</p> <p>The Company will continue to monitor the independence of the INEDs and disclose the followings:</p> <ul style="list-style-type: none"> <li>(i) any benefits and incentives whatsoever paid to the INEDs;</li> <li>(ii) transactions or any business or other relationships with the Group within the scope and meaning as set forth under Practice Note 13 of the MMLR by the INEDs; and</li> <li>(iii) The Board will justify with the recommendation of the NC and seek shareholders' approval for the retention of both directors as Independent Director at every AGM.</li> </ul>	
<b>Timeframe</b>	:	Others



**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 NC, has implemented procedures in considering the composition of the Board. The Board Committee shall have the right blend of skills, experience, competencies, gender, age, cultural background, ethnicity, level of commitment, resources and time and other qualities that can contribute long-term value to the Board.</p> <p>The Board currently has six (6) Directors, of whom only one (1) Director is a woman.</p> <p>The Board is actively managing its workforce diversity to ensure equal employment opportunity. It fosters an environment where the ability to contribute and access employment opportunities is based on performance, skills and merits.</p> <p>There are seven (7) women in the Management team of the Group, which constitutes 50% female representation.</p> <p>The number of female employees constitutes 40% of the overall Board and Management team.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board currently has six (6) Directors, one (1) of whom is a woman, which constitutes 16% of the Board.</p> <p>The Company has yet to formalise Board gender diversity policy. However, the Board is moving towards a more gender equality. 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.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has delegated to the NC to conduct screening, evaluation and selection of new Directors and re-election of retiring Directors.</p> <p>NC has the authority to engage consultants/recruitment firms to source suitably qualified candidates for directorship as well as to seek any independent advice whenever necessary.</p> <p>There were no changes on directorship during the year.</p> <p>The terms of reference and duties of the NC are set out in the Board Charter.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

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	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

## Intended Outcome

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

## Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board, through NC and with the assistance from the Company Secretaries, had conducted an annual assessment via questionnaires on the Board as a whole, Board Committees and each individual Director.</p> <p>The criterion in this assessment is updated periodically and is aligned with the practices of the MCCG.</p> <p>Each Director and Board Committee member completes the evaluation form and submits it on a confidential basis to the Company's Company Secretary who collates the responses and produces a report for tabling to the NC Chairman. The NC Chairman then reviews the report and submits its findings to the Board for assessment of the performance and effectiveness of the Board and Board Committees and its members.</p> <p>The NC was satisfied with the performance of all the Directors and Committee members during the financial year. The Board was also satisfied that the Board and the Board Committees had discharged their duties and responsibilities effectively.</p> <p>During the financial year, the Directors had attended training programmes and seminars ("<b>Programmes</b>") on topics/subjects in relation to corporate governance, internal controls and risk management, statutory and regulatory updates and requirements, economic updates, financial and accounting knowledge and updates. Details of the Programmes attended by the Directors are set out in the Corporate Governance Overview Statement in the Annual Report 2019.</p> <p>The Directors were kept up-to-date with market developments and related issues through Board discussion meetings with Management and were also updated and apprised on a continuing basis by the Company Secretaries on new and/or revised regulatory and statutory requirements ("<b>Continuing Updates</b>").</p>

	<p>The Board, after having undertaken an assessment, viewed that the Directors, having attended the Programmes and having been kept up-to-date with market developments and related issues as well as apprised with the Continuing Updates, had adequately met the training needs of each of the Directors towards enhancing his/her skills and knowledge to carry out his/her duties as a Director.</p> <p>The Board was satisfied that the Board composition in term of size, age, gender, cultural background, the balance between executive, non-executive and independent Directors and mix of skills, experience and knowledge was adequate and in line with the Group's business operations and needs.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The remuneration packages of the Executive Directors and Non-Executive Directors are determined by the Board with the assistance of the RC. This is to ensure the remuneration package is competitive and consistent with Group's business strategy and long-term objectives. All the individual Directors concerned shall abstain from discussing their own remuneration package.</p> <p>The fees and any benefits payable to the Directors shall from time to time be determined by an Ordinary Resolution of the Company in general meeting in accordance with Section 230 of the Companies Act 2016.</p> <p>The remuneration is reviewed by the RC on an annual basis prior to making its recommendations to the Board for approval. In its review, the RC considers various factors including the Directors' fiduciary duties, time commitments and expertise expected from them and the Company's performance.</p> <p>The Remuneration Policy is periodically reviewed and is available on the Company's website at <a href="http://www.ygcorp.com.my">www.ygcorp.com.my</a>.</p> <p>The Human Resources Department reviews and sets the policies for remuneration including salary increment and bonuses of senior management on an annual basis to ensure that the compensation offered remains competitive for talent attraction and retention.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		



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

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The RC is established to carry out an annual remuneration review on Directors 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.</p> <p>The terms of reference of the RC is accessible on the Company's website at <a href="http://www.ygcorp.com.my">www.ygcorp.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The details of each individual Director's remuneration comprising fees, salary, bonuses allowances, Employees Provident Fund and Social Security Contribution for the financial year ended 31 December 2019 are disclosed on named basis under the Corporate Governance Overview Statement's Principle A (Board Leadership and Effectiveness) of the Annual Report 2019.
<b>Explanation for departure</b>	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Not applicable - Step Up 7.3 adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
		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>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	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.

Application	:	Adopted				
Explanation on adoption of the practice	:	Key Senior Management	COMPANY/SUBSIDIARIES			
			Fees	Salaries	Others	Total
			RM'000			
		<u>Executive Directors:</u>				
		Dato' Sri Yap Seng Yew	120	585	70	775
		Datin Sri Gan Li Li	120	520	63	703
		Dato' Yap Jun Jien	90	390	49	529
		Total Executive Directors' Remuneration	330	1,495	182	2,007
		<u>Key Senior Management /Director</u>				
		Yap Jun Wei	60	390	49	499
Total	390	1,885	231	2,506		
Salaries- comprises salaries and bonuses Others-comprises emoluments and benefits such as allowances, Employees Provident Fund and Social Security Contribution.						

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The ARC 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 appointed as the ARC’s Chairman since 15 April 2015, is a member of Malaysian Institute of Accountants and a Fellow Member of Association of Chartered Certified Accountants.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	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 ARC.  The terms of reference of the ARC are available on the Company's website at <a href="http://www.ygcorp.com.my">www.ygcorp.com.my</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The ARC conducts an annual review and monitors the suitability and independence of the Group's External Auditor, Messrs. T. H. Kuan &amp; Co. ("<b>THK</b>").</p> <p>The ARC maintains a close and transparent professional relationship with THK where full assistance is extended to enable them to discharge their duties effectively. The ARC also liaises with them in seeking advice and ensuring compliance with the applicable approved Malaysian Financial Reporting Standards ("<b>MFRSS</b>") and the provisions of the Companies Act 2016 in Malaysia.</p> <p>The ARC met THK in one (1) private session without the presence of Management to discuss audit related matters that they wish to raise directly with the ARC during the financial year.</p> <p>In the assessment of the independence and other ethical responsibilities of THK, the ARC noted that THK has declared its independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("<b>By-Laws</b>") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("<b>IESBA Code</b>") and have fulfilled their other ethical responsibilities in accordance with the By-Laws and the IESBA Code.</p> <p>The ARC was satisfied with the suitability, objectivity, independence of THK and has recommended the re-appointment of THK for the ensuing year.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	



<b>Timeframe</b>	:		
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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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	All ARC 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The ARC 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 ARC have quite extensive experience and equipped with the business knowledge and skills.</p> <p>The ARC members attended several continuing professional development training programmes/seminars in 2019 which are disclosed in the Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The functions of the ARC 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 proper internal control in place to safeguard shareholders' interests and the Company's assets.</p> <p>The Board delegates monitoring and reviewing of risk management plan to the ARC. The ARC delegates to the Risk Management Working Group ("<b>RMWG</b>") and the members consist mainly of all Departmental Heads of the Group who will monitor and update the ARC on the status and development of the risk management processes. The internal audit functions which have been outsourced to an Outsourced Internal Auditor reports directly to the ARC.</p> <p>The information on risk management framework and internal control system are disclosed under the Statement on Risk Management and Internal Control of the Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	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 on Risk Management and Internal Control in the Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group has outsourced the internal audit function to an independent professional service provider ("<b>Outsourced IA</b>") which reports directly to the ARC.</p> <p>The Outsourced IA had carried out, tabled and briefed ARC on the outcome of their internal review based on approved Internal Audit Plan 2019 for Financial Year 2019. Internal Audit Plan 2020 was tabled for ARC's approval in November 2019.</p> <p>The activities of the internal audit function carried out by the Outsourced IA in 2019 are set out in the ARC Report in the Annual Report 2019.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

## Practice 10.2

The board should disclose—

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Outsourced IA is an independent professional firm, which is a corporate member to Internal Auditors Malaysia. They are free from any relationships or conflict of interest which could impair their objectivity and independence.</p> <p>The internal audits are carried out, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.</p> <p>The Outsourced IA consists of ten (9) personnel based in their office, that consist of one executive director, one senior manager, and seven senior consultants/consultants. The Head of Internal Audit, Mr Jason Tee, is an associate member of the Institute of Internal Auditors, Malaysia.</p> <p>The ARC is satisfied with the appointed outsourced independent professional firm to carry out the internal audit function based on their competencies, experience and resources.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

There is 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 communication 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 <a href="http://www.ygcorp.com.my">www.ygcorp.com.my</a>.</p> <p>The Company also embraces importance of social media as a trustworthy communication to reach wider audiences and different groups of stakeholders.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 11.2

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	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>			
<b>Measure</b>	:	Please provide an explanation for the departure.	
<b>Timeframe</b>	:	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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company sent out the Notice of 53<sup>rd</sup> Annual General Meeting ("53<sup>rd</sup> AGM"), together with its Explanatory Notes and the Annual Report 2018 at least 28 days before the AGM held on 29 May 2019, 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 was 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 would be discussed and decided at the AGM, and to arrange for proxies to attend the AGM on their behalf, if so required.</p> <p>The Company will continue this best practice for the 54th AGM scheduled to be held on 27 July 2020.</p> <p>The Notice of 54th AGM was published in The Star newspapers and announced to Bursa Malaysia Securities Berhad on 26 June 2020 and made available on the Company's website at <a href="http://www.ygcorp.com.my">www.ygcorp.com.my</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All the Directors and the Chairpersons of ARC, NC and RC including the Management and External Auditors, attended the 53<sup>rd</sup> AGM held on 29 May 2019 and responded to the shareholders’ enquiries.</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 were recorded in minutes of the meeting and the Summary of AGM Key Matters was published on the Company’s website.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company did not have the facility to cater for voting in absentia and remote shareholders' participation at general meetings due to the following reasons:</p> <ul style="list-style-type: none"><li>(i) The Company did not have large number of shareholders;</li><li>(ii) The venue of the Company's annual general meeting was at location within the Klang Valley which was easily accessible by shareholders; and</li><li>(iii) Remote shareholders' participation was not applicable to the Company.</li></ul> <p>The Company gave Notice of 53rd AGM to the shareholders 28 days before the meeting for them to make their arrangements to attend the AGM.</p> <p>Alternatively, shareholders who were unable to attend the AGM could send proxies to participate and vote on their behalf.</p> <p>The Company would consider leveraging on technology when it has a large number of shareholders in the future.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**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.*

Not Applicable
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