

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7130
COMPANY NAME : Kumpulan Powernet Berhad
FINANCIAL YEAR : June 30, 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors' ("Board") of Kumpulan Powernet Berhad ("KPower or the "Group") is responsible for the long-term performance of the Group and for overseeing the Group's strategy and monitoring its operation.</p> <p>The Board's main functions are to provide leadership, provide guidance on the Group's strategic objectives, ensure that necessary resources are in place for the Group to meet its objectives, as well as to review the performances of the Group and the Management against targets. The Board had delegated to the Managing Director, amongst others, the responsibility for implementing the Group's strategic direction and for managing its day-to-day operations. Strategies and policies, including annual business plan and budget are developed by the Managing Director together with the Management, which are then reviewed, constructively challenged and approved by the Board. The Managing Director is responsible to communicate and execute the Group's strategic plan which is aimed at achieving business growth, developing people and promoting good governance for a sustainable business. The Managing Director ensures implementation of these plans, people engagement as well as prudent management of the Group's resources. The Board monitors the Group's performance quarterly whereby the Managing Director and the Management keep the Board informed on the financial performance of the Group as well as the development and performance of key business areas. The Managing Director also responsible to bring material issues and other relevant matters to the attention of the Board.</p>
Explanation for departure	:	n/a
		n/a

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

Measure	:	n/a	
Timeframe	:	n/a	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Board is an Independent Non-Executive Chairman who is able to provide effective leadership to the Board and guide the vision, strategic direction and business development of the Group, and at the same time be guided by the independent advice and views from the Independent Directors, who offer the necessary checks and balances in the decision making process of the Board.</p> <p>The roles and responsibilities of Chairman of the Board were clearly specified in the Board Charter, which is available on the Company's website at www.powernetgroup.com.my.</p>
Explanation for departure	:	n/a
	:	n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group does not have a CEO, however, the positions of Chairman and Managing Director ("MD") are held by different individuals. The Board acknowledges the importance of a clear division of responsibilities between the Chairman and the MD, therefore exercised by separate individuals to ensure an optimal balance, resulting in increased accountability and enhanced decision making.</p> <p>Datuk Seri Haji Ahmad Bin Hamzah was the Chairman of KPower and he resigned from his position on 7 January 2019. Subsequently, Dato' Haji Roshidi Bin Haji Hashim was appointed as the Chairman of the KPower on 13 March 2019. He holds the position as an Independent Non-Executive Chairman.</p> <p>During the financial year ended 2019, Datuk Liang Teck Meng was the MD of KPower and he retired on 21 December 2018. The current MD, Mustakim Bin Mat Nun was appointed on 28 June 2019. He is primarily responsible for overall operations of business and execution of the Group's strategies in line with the Board's direction.</p>
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries are qualified and competent to act pursuant to Section 235 of the Companies Act 2016.</p> <p>The Company Secretaries play an advisory role to the Board, particularly on matters pertaining to the Constitution of the Group, Board policies and procedures and the Group's compliance with regulatory requirements, codes, guidance and legislation.</p> <p>The Company Secretaries ensure that the discussions and deliberations at Board and Board Committee meetings are well documented.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through continuous training. The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required.</p>
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>To facilitate the Directors’ time planning, the annual meeting calendar is prepared and tabled to the Board in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees as well as Annual General Meeting.</p> <p>Reasonable notice of meetings and the agenda on the business to be conducted at the meetings and meeting material that provided relevant information such as minutes of previous meetings, management reports and financial reports were furnished to the Directors at least five (5) business days prior to the Board meeting so that each Director had ample time to review the papers to enable informed decision making.</p> <p>The deliberations and decisions at the Board and Board Committee meetings are well documented and minuted. The action to be taken by respective parties will be in the minutes so that the Board can follow up with the respective parties on the status of the matters discussed during the previous meeting.</p>
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>In performing its duties, the Board is guided by the Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting processes. The key elements of governance principles embedded in the Board Charter regulate the Board’s conducts and guide the business strategic initiative of the Group.</p> <p>The Board would regularly review the Board Charter and the Terms of Reference (“TOR”) of the Board Committees to ensure they remain consistent with the Board’s objective and responsibilities, and relevant standards of corporate governance.</p> <p>The Board Charter is available on KPower’s website at www.powernetgroup.com.my.</p>	
Explanation for departure	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board noted the importance of the Code of Ethics and Conduct of the Group that emphasized the Group's commitment to ethical practices and compliance with the applicable laws and regulations which also governs the standards of ethics and good conduct expected from the Directors and employees of the Group.</p> <p>The Company has adopted this Code to provide guidance to every member of the Company's Board of Directors. Each Director is responsible for reading and understanding this Code, and using it as a guide in the performance of his or her responsibilities as a Director. The Board is committed to establish a corporate culture that promotes ethical conduct throughout the Company and ensures that its business is conducted with integrity, transparency and fairness. In discharging its fiduciary duties, the Board must at all times act in good faith and in the best interests of the Company and at the same time ensuring that its obligation to shareholders and stakeholders are met. All of its Directors help foster a sense of commitment to this Code among all Directors, and to foster a culture of fairness, honesty and accountability within the Company.</p>
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	The Board has established a Whistle-blowing Policy that provides a channel to enable employees and other stakeholders to report any suspected breaches of law or regulations or any illegal act observed in the Group, including financial malpractice or fraud, non-compliance with regulatory requirements, danger to health, safety or the environment, criminal activity and corruption. It outlines the procedures for reporting a genuine concern on any breach of conduct that are taking place, have taken place or may take place in the future. The Group treats all reports in a confidential manner and at the same time provides protection to anyone who reports such concerns in a good faith.
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:	n/a	
Explanation for departure	:	The Board recognizes the importance of having a diverse Board in terms of age, qualification and gender to provide the necessary range of perspectives, experience and expertise in bringing value to the Company. The Board consists of seven (7) members, comprising of the following: a) One (1) Independent Non-Executive Chairman; b) One (1) Non-Independent Non-Executive Deputy Chairman; c) One (1) Managing Director; d) Two (2) Independent Non-Executive Directors; and e) Two (2) Executive Directors	
	:	The constitution of the Independent Directors of the Company is less than half (50%) and does not comply with the MCCG Practice 4.1 requirement. The Board and the Nomination Committee are aware of such departure and are identifying the right candidates. In the event of additional independent director to be appointed to the Board, necessary submissions to Bursa Malaysia will be made accordingly.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	n/a	
Explanation for departure	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	n/a

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nomination Committee (“NC”) will recommend to the Board on suitable candidates for appointment as Board members, member of Board Committees and Executive Director of the Company based on the following evaluation criteria:</p> <ul style="list-style-type: none"> • skills, knowledge, expertise and experience; • professionalism; • time commitment to effectively discharge his role as a director; • contribution and performance; • character, integrity and competence; • boardroom diversity including gender diversity; and • in the case of candidates for the position of Independent Non-Executive Directors, the NC shall also evaluate the candidates’ ability to discharge such responsibilities/functions as are expected from independent non-executive directors. <p>This helps to ensure an appropriate balance between the experience perspectives of the longterm directors and new perspectives that bring fresh insights to the Board.</p>	
Explanation for departure	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

Intended Outcome

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

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets.

For Large Companies, the board must have at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:	n/a	
Explanation for departure	:	The Board composition is supported by one (1) woman Director on Board, which represent 14% of the total number of board members.	
		The Board has subsequently delegated to NRC to undertake the process to ensure it have at least 30% of women directors, who could meet the objective criteria, merit and with due regard for diversity in skills, experience to join the Board.	
		In the event of additional independent director to be appointed to the Board, necessary submissions to Bursa Malaysia will be made accordingly.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board delegates to the NC the responsibility to establish a formal and transparent procedure for the nomination and appointment of new Directors to the Board. The Board uses a variety of sources for identification of suitable candidate of directors.</p> <p>In considering potential candidates for appointment, the Nomination Committee undertakes a thorough review of the candidate's criteria, amongst others, qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role.</p> <p>The NC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary.</p>
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

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 Nomination Committee is an Independent Non-Executive Director.	
Explanation for departure	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Nomination Committee annually performs an assessment of the effectiveness and performance of the Board, Board Committees and individual Directors, in order to verify that the Board is functioning appropriately as a whole. Each Director completed a detailed questionnaire in the Directors' Performance Evaluation which covered matters relevant to the Board performance, amongst others, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its TOR. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	On annual basis, the Remuneration Committee reviews and recommends to the Board the remuneration packages of the Executive Director, while the remuneration for the Non-Executive Directors was determined by the Board as a whole. In making its recommendation, the Remuneration Committee considers the principles set out in the Board Remuneration Policy. The Policy, which covers remuneration for the Directors and key Senior Management personnel, was established with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key Senior Management team.
Explanation for departure	:	n/a
	:	n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	The Remuneration Committee was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. Full details of the functions and duties of the Remuneration Committee are stated in its TOR which is available on the Company's website. The Remuneration Committee comprises exclusively of Non-Executive Directors.
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure on name basis for the remuneration of the individual directors are set out in the KPower's Annual Report 2019 under the Corporate Governance Overview Statement.
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Due to confidentiality and sensitivity of the remuneration packages of Senior Management as well as security concerns, the Board not to disclose the Senior Management's remuneration components on name basis on the bands of RM50,000.00</p> <p>The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Company given that the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.</p> <p>As an alternative, the Board is of the view that the disclosure of Senior Management's aggregated remuneration on unnamed basis in the bands of RM50,000.00 in the Company's Annual Report 2019 is adequate.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	n/a

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairperson of the Audit Committee is Ms. Kok Pauline, and she is not the Chairman of the Board.	
Explanation for departure	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee (“AC”) has incorporated in its TOR to include a clause on cooling-off period of two (2) years before a former key audit partner can be appointed as a member of the AC.	
Explanation for departure	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	The Board, through its AC maintains a formal and transparent relationship with its External Auditors. The Board had delegated the responsibility to the AC for making recommendations on the appointment, re-appointment or removal of the External Auditors as well as on their remunerations. The AC ensured that the External Auditors work closely with the Internal Auditors to enhance the effectiveness of the overall audit process. The AC assessed the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.
Explanation for departure	:	n/a
	:	n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

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 :	The AC comprises solely of Independent Directors, namely: a) Ms. Kok Pauline <i>Independent Non-Executive Director</i> b) Dato' Haji Roshidi Bin Haji Hashim <i>Independent Non- Executive Chairman</i> c) Mr. Tan Yee Hou <i>Independent Non- Executive Director</i>

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 Board reviews the terms of office of the AC members and assess the performance of the AC and its members through an annual Board Committee effectiveness evaluation. Based on the outcome of the evaluation, the Board is satisfied with the AC's existing performance.</p> <p>The AC members are aware of the need to continuously develop and increase their knowledge in the area of accounting and auditing standards, given the changes and development in this area from time to time.</p>
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for maintaining a sound and effective system of risk management and internal control to safeguard shareholders' investment and the Group's assets, as well as reviewing the adequacy and effectiveness of these systems to support the Group's strategy and operations to achieve its business objectives.</p> <p>To discharge these responsibilities, the Board is assisted by the AC in fulfilling the oversight responsibilities of reviewing the control systems in general and assessing the adequacy and effectiveness of the risk management and internal control practices conducted by the Management.</p> <p>The Board is supported by the Management in developing, implementing and monitoring sound practices for identifying and managing strategic, financial and operational risks and for providing assurance that risk management and internal control practices with respect to the conduct of business are implemented and adhered to within the Group.</p>
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its overall responsibility to maintain effective governance, risk management and compliance framework. Supported by the Management and internal audit function, the Board ensures the adequacy and effectiveness of the Group's risk management and internal control practices. The Board is responsible to ensure that the Group complies with all applicable provisions of law and regulations and ensures that appropriate risk management systems are in place throughout the Group.</p> <p>The Group relies on the Enterprise Risk Management framework to systematically identify, assess, mitigate and monitor existing and potential risks that are critical to its strategic targets and business plans. The framework encompasses all key areas such as financial, operational and environmental controls, Information Systems, as well as compliance with relevant laws, regulations, rules and guidelines.</p> <p>The AC assists the Board to oversee and review the effectiveness of the Group's risk management and internal control systems. To facilitate effective monitoring, the Board regularly receives reports from the Management on any business risks related to its business activities that have impacted or likely to impact the Company from achieving of its objectives and strategies.</p> <p>Group's system of internal controls is regularly reviewed for its effectiveness in managing key risks. The internal audit function focuses on areas of priority as determined by the risk assessment of the auditable areas. Where significant weaknesses have been identified, improvement measures are recommended to strengthen controls.</p> <p>The internal audit reports are tabled at AC meetings for members' review.</p>
Explanation for departure	:	n/a

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The Risk Management Committee comprise majority Independent Directors with two (2) Independent Non-Executive Director and one (1) Executive Director.

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	:	The Group's internal audit function is carried out by an outsourced internal audit firm which is independent of the activities the Internal Auditors audit. The Board, through the AC conducts annual review on the effectiveness of the internal audit function including assessing the quality of audit review and ensuring that the Internal Auditors have sufficient knowledge and experience to perform their role effectively.	
Explanation for departure	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

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	:	The Group outsources its internal audit function to an external consultant which has been discontinued by the previous management during the financial year. The current management is in the midst to identify a new internal audit firm. The Internal Auditors provide an independent evaluation on the effectiveness of the risk management, control and governance processes in the Group. In addition, the Internal Auditors carry out a follow-up review on the issues raised in the previous internal audit report and to ensure that the proposed action plan has been implemented by the Management to mitigate the risk exposure of the Group.
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company strives to promote a better understanding of the Group through investor relation activities. Apart from general meetings, the Company has put in place the following initiatives to facilitate effective communication with its shareholders:</p> <ul style="list-style-type: none">(a) the Annual Report, which contains information such as Management Discussion and Analysis, financial statements, and information on the Audit Committee, Corporate Governance, Sustainability and Corporate Social Responsibility, and Risk Management and Internal Control;(b) various announcements made to Bursa Securities, which include timely release of financial results on a quarterly basis. Concurrent with these releases, the Company posts all announcements on its website, and releases announcements to major newspapers and public media;(c) attending to shareholders' and investors' emails and phone enquiries; and(e) the Company's website at www.powernetgroup.com.my under Investor Relations section, which houses Board Charter, annual reports, quarterly report announcements, press releases, slide presentations from analyst briefings, analyst coverage and other corporate information on KPower. The website also provides Investor Relations contact for shareholders to direct their queries or concerns to.
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:	n/a
Timeframe	:	n/a

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not under the category of large companies as defined in the MCCG.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company dispatches the notice of its Annual General Meeting (AGM) to the shareholders at least 28 days before the AGM.</p> <p>The Company's Notice of 21st AGM for the last financial year was sent to all shareholders on 31 October 2018, more than 28 days before the AGM which was held on 21 December 2018.</p> <p>The additional time given to shareholders allows them to make the necessary arrangements to attend and participate in person.</p> <p>More importantly, it enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</p>
Explanation for departure	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

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	:	At the 21 st AGM of the Company held on 21 December 2018, all the Directors were present in person to engage directly with the shareholders and be accountable for their stewardship of the Company.	
Explanation for departure	:	n/a	
	:	n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	n/a	
Timeframe	:	n/a	

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Not applicable to the Company in view that the Company does not have large number of shareholders. The Company's last AGM was held in the city area and accessible by public and the Company does not intend to have meeting in remote location in the future.</p> <p>Moving forward, the Company will consider leveraging on technology to facilitate greater shareholders' participation in general meeting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	n/a
Timeframe	:	n/a

**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.