

# Corporate Governance

## Corporate Governance Overview Statement

The Board of Directors (“the Board”) reaffirms its commitment to and supports the best practices of the Malaysian Code on Corporate Governance (“the Code”) which sets out broad principles, intended outcome and guidance to promote and cultivate a strong culture of good corporate governance for listed companies.

The Board strives to ensure that the highest standards of corporate governance are practiced to protect and enhance shareholders’ value.

During the financial year ended 31 December 2020, the Board continued to adhere to the principles and recommendations of the Code. The Board is pleased to report to the shareholders on how the Company has applied each Practice as set out in the Code in the Corporate Governance Overview Statement below, along with certain departures from the Code. For full details in relation to the compliance and/or departure from each Practice set out in the Code during the financial year ended 31 December 2020, please refer to the Corporate Governance Report 2020 on the Company’s website at [www.encorp.com.my](http://www.encorp.com.my) .

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### I. BOARD RESPONSIBILITIES

In line with the Code, the Board has adopted a Board Charter which was last reviewed on 26 February 2019. The Board Charter primarily sets out the Board’s strategic intent and outlines the Board’s roles and responsibilities, to ensure that all Board members are aware of their fiduciary duties and responsibilities, legislations and regulations affecting their conduct. The Board Charter aims to promote highest standards of corporate governance within the Group, so that the interests of the shareholders, customers and other stakeholders are safeguarded.

The Board had on 31 July 2019 adopted and implemented a Code of Conduct and Business Ethics to provide guidance and set common ethical standards to promote consistency in behavior across the Group. It includes, amongst others, guidance on health and safety, disclosure of conflict of interest, maintaining confidentiality and gift and business courtesies. The Directors, management and employees are expected to behave ethically and professionally at all times and protect the reputation of the Company. The Group communicates its Code of Conduct and Business Ethics to all Directors, management and employees.

More information on the Board Charter and the Code of Conduct and Business Ethics can be found on the Company’s website at [www.encorp.com.my](http://www.encorp.com.my).

The Board has the following principal responsibilities, which facilitate the discharge of the Board’s stewardship in the pursuit of the best interest of the Company:

- Reviewing, approving and monitoring the implementation of business plan and overall strategic directions;

- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and ensures that measures are in place against which Management's performance can be assessed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage and mitigate these risks;
- Succession planning, includes appointment, training, fixing compensation of and where appropriate, replacing key management;
- Developing and implementing an investor relations programme or shareholders' communications policy for the Company and encouraging the use of information technology for effective dissemination of information;
- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- Ensuring that the Company has appropriate corporate governance structures in place including standards of ethical behavior and promoting a culture of corporate responsibility.

### **Board Balance**

During the financial year ended 31 December 2020, the role of the Chairman and the Executive Committee ("EXCO") are distinct and separate to ensure that there is a balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board while the EXCO takes care of the business continuity of Encorp Group. Currently, the EXCO consists of three (3) members as set out in this Annual Report. The Chairman of the Board is also chairing the EXCO, however, he and other EXCO members have not been accorded with employment salaries and do not involve in the business and day-to-day management of the Company. Any decisions by EXCO shall be made by majority EXCO members present prior to the recommendation to the Board and the Chairman of EXCO does not have casting vote.

The Group Chief Executive Officer ("GCEO") of the Company was appointed on 17 February 2021 to run the day-to-day management of Encorp Group business within the limits of authority delegated by the Board. The GCEO acts as a conduit between the Board and the Management in ensuring the success of the Company's governance and management functions. Subsequent to the appointment of GCEO, the EXCO will assist the Board in evaluating and recommending significant investments undertaken by the Company, which includes amongst others merger and acquisitions, new partnerships, divestments and large capital expenditure projects, prior to their submission to the Board for approval.

### **Role of Company Secretary**

The Board is supported by a suitably qualified and competent company secretary that has legal qualifications, and is qualified to act as company secretary under Section 235(2) of the Companies Act 2016. The Company Secretary provides support to the Board in fulfilling its fiduciary duties and leadership role in shaping the Corporate Governance of the Company. In this respect, Company Secretary plays an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation for the affairs of the Board.

Company Secretary has attended trainings and seminars conducted by the Companies Commission of Malaysia and Bursa Malaysia Securities Berhad ("Bursa Securities") to keep abreast with the relevant

updates on statutory and regulatory requirements such as updates on the Main Market Listing Requirements of Bursa Securities, compliance with the Capital Markets and Services Act 2007, Companies Act 2016 and to ensure the Company’s adherence to the Code. Therefore, the Board are regularly updated and advised by the Company Secretary on new statutory and regulatory requirements.

### Board Meetings

To ensure that Directors can plan ahead, Board Meetings are scheduled in advance at the beginning of each year. Special Board Meeting is convened as and when necessary for the Board to deliberate on matters that require expeditious decisions.

During the financial year under review, nine (9) Board meetings were held. The summary of attendance of the Board is as follows:

Name of Director	No. of Meetings Attended
Hussein bin Ismail	9/9
Mahadzir bin Mustafa	9/9
Datuk Haji Jaafar bin Abu Bakar	9/9
Abdul Rahim bin Abdul Hamid	9/9

### II. BOARD COMPOSITION

The Company is managed and led by Board members from diverse professional backgrounds with relevant experiences and expertise in financial, business and other fields.

Practice 4.1 of the Code states that at least half (1/2) of the Board should comprise Independent Directors. During the financial year ended 31 December 2020, there were four (4) members of the Board, comprising one (1) Non-Independent Non-Executive Chairman, two (2) Independent Directors and one (1) Non-Independent Non-Executive Director and hence is in compliance with Practice 4.1.

This composition also complies with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Securities which requires that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent directors.

The Board implemented an evaluation process, for assessing the effectiveness and competencies of the Board as a whole. The results of the self-assessment by Directors and the Board’s effectiveness as a whole as compiled by the Company Secretary were tabled to the Board for review and notation. The Board was satisfied with the results of the annual assessment and that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills. The Board was also satisfied with the Board

composition comprising individuals of high caliber, credibility and with the necessary skills and qualifications to enable the Board to discharge its duties and responsibilities effectively.

### **Board Independence**

The Board has developed the criteria to assess the independence of the independent directors on an annual basis. When assessing independence, the Board is encouraged to focus beyond the independent director's background, economic and family relationships and consider whether the independent director can continue to bring independent and objective judgment to Board deliberations.

Practice 4.2 of the Code states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the annual shareholders' approval. If the Board continues to retain the independent directors after the twelfth (12<sup>th</sup>) year, the Board should seek shareholders' approval through a two-tier voting process as outlined in the Code.

The Nominating and Remuneration Committee had performed an annual review on the independence of the Independent Directors. At present, there are no Independent Directors whose tenure exceeds a cumulative term of nine (9) years in the Company.

The Board has undertaken an assessment of all the two (2) Independent Directors as per the criteria defined under the Listing Requirements and other independence criteria applied by the Company which took into account the individual Director's independence of management and free from any business or other relationship which could interfere with the exercise of independent and objective judgment, and his ability to advise the Board on matters relating to transaction where conflict of interest may exist. Based on the assessment done, the Board concluded that each of the Independent Directors continues to demonstrate behaviour that reflect their independence.

### **Appointment of Directors**

When appointing a Director, the Nominating and Remuneration Committee and the Board will consider the background, experience, skill, competency, knowledge and potential contribution of the candidate, whilst the Practice 4.5 of the Code will also be given due consideration for boardroom diversity. The Nominating and Remuneration Committee considers, evaluates and proposes to the Board any new board appointments, whether of executive or non-executive position. The Nominating and Remuneration Committee recommends suitable candidate for appointment to the Board, the appointment of which will be decided upon by the Board as a whole to ensure a balanced mix of experience and expertise amongst its members. Thereafter, the Board carries out its own assessment based on the recommendations made by the Nominating and Remuneration Committee and determines the appointments to be made.

On the appointment of new Director, the new Director is required to commit sufficient time to attend to the Company's matters before accepting his appointment to the Board. Directors are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment. In compliance with Paragraph 15.06(1) of the Listing Requirements, all Directors of Encorp do not hold more than five (5) directorships of listed issuer at any one time.

The Board recognises the challenges in achieving the right balance of diversity on the Board. Nevertheless, the Board is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Board has established a Board Diversity Policy to ensure that through the Nominating and

Remuneration Committee, selection and appointment of new board member take into the consideration the candidates from a wide variety of background, without discriminating based on gender, age, ethnic, marital status and religion but on the required mix of skill, knowledge and professional experience which the new director should bring to the Company. The Board is mindful of the Practice 4.5 of the Code and will ensure that suitable women candidates are sought and considered as part of the recruitment exercise. This will be done over time, taking into account the present size of the Board, the merit and suitability of female candidates and the evolving challenges to the Company from time to time.

### Re-election and Re-appointment of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors are required to retire from office at each Annual General Meeting ("AGM") and all Directors shall retire at least once in every three (3) years. The retiring Directors shall be eligible for re-election at the AGM. Newly appointed directors during the year must offer themselves to the shareholders for re-election at the next AGM following their appointment.

### Directors' Training

All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Directors constantly participate in training programmes, seminars and conferences to keep themselves abreast with changes and new developments, both in the legal and commercial aspects.

During the financial year ended 31 December 2020, the Directors have attended the following training programmes/seminars/workshops/talks:

Name of Director	Training and Seminars Attended
Hussein bin Ismail	<ul style="list-style-type: none"> <li>• Briefing on Corporate Liability, Adequate Procedures and ISO 37001 : by Trident Integrity Solutions Sdn Bhd</li> </ul>
Mahadzir bin Mustafa	<ul style="list-style-type: none"> <li>• Briefing on Corporate Liability, Adequate Procedures and ISO 37001 : by Trident Integrity Solutions Sdn Bhd</li> <li>• Fortune 500 Corporation, Satu Pemikiran Baharu : by FELDA and NLP Malaysia Acedemy</li> <li>• Corporate Director Series : by Institute of Corporate Directors Malaysia</li> <li>• Personality Profile and Self Development Plan Workshop : by ARRO Services PLT.</li> </ul>
Datuk Haji Jaafar bin Abu Bakar	<ul style="list-style-type: none"> <li>• Briefing on Corporate Liability, Adequate Procedures and ISO 37001 : by Trident Integrity Solutions Sdn Bhd</li> </ul>
Abdul Rahim bin Abdul Hamid	<ul style="list-style-type: none"> <li>• Briefing on Corporate Liability, Adequate Procedures and ISO 37001 : by Trident Integrity Solutions Sdn Bhd</li> </ul>

### III. REMUNERATION

#### Board Remuneration

The Nominating and Remuneration Committee recommends the remuneration package for the Executive Director/GCEO to the Board for approval. The Executive Director abstains from deliberation and voting on decisions in respect of his own remuneration.

The Nominating and Remuneration Committee comprises wholly of Independent Non-Executive Directors as follows:-

Name	Designation	Directorship
Abdul Rahim bin Abdul Hamid	Chairman	Independent Non-Executive Director
Datuk Haji Jaafar bin Abu Bakar	Member	Independent Non-Executive Director

The Nomination and Remuneration Committee assists the Board in fulfilling the following functions:

#### (i) New appointments, re-election and re-appointment

- to establish clear and appropriate criteria on the selection and recruitment of the Board;
- to consider and recommend to the Board candidates for directorship based on a variety of sources including existing Board members, management, major shareholders and/or independent sources, taking into consideration the candidates' skills, knowledge, expertise, experience, time, commitment, character, professionalism, independence and integrity that fit the Company's objectives and strategic goals;
- to recommend to the Board candidates to fill the seats on Board as Directors or Board Committees having regard to their ability to discharge the responsibilities/functions as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR");
- to evaluate the balance of skills, knowledge, experience and diversity (including gender diversity), age, cultural background on the Board and senior management;
- to evaluate and recommend to the Board on the re-election and re-appointment of the directors who are subject to retirement at annual general meeting;
- to evaluate and recommend to the Board the appointment, promotion and termination of the executive director, chief executive officer and senior management; and
- to ensure each of the Director, chief executive officer or key senior management has the character, experience, integrity, competence and time to effectively discharge his role as Director, chief executive officer or key senior management as required under Paragraph 2.20A of the MMLR before appointment and fulfills the requirements under Section 198 of Companies Act, 2016 and Paragraph 15.05 of the MMLR.

#### (ii) Evaluation

- to establish clear and appropriate criteria on annual assessment of the Board;
- to assess annually the effectiveness and competencies of the Board as a whole, the Board Committees and the contribution of each individual director; and

- to assess annually the independence of the independent directors.

#### **(iii) Succession planning and training**

- to establish appropriate plans for succession at Board level and senior management level; and
- to review the training needs of the Board.

#### **(iv) Remuneration**

- to establish formal and transparent remuneration policies and procedures to attract and retain Board members and senior management of the Company and its subsidiaries (“the Group”);
- to review and recommend to the Board the remuneration package for executive director, chief executive officer and senior management;
- to review with chief executive officer and executive directors, their goals and objectives and to assess their performance against these objectives as well as contribution to the Company’s short-term and long-term corporate strategy; and
- to review and recommend to the Board the annual increments and bonuses of executive directors and senior management team.

#### **(v) Additional duties and responsibilities**

- to carry out such other responsibilities, functions or assignments as may be defined jointly by the Nominating and Remuneration and the Board from time to time; and
- to carry out such other responsibilities as guided by MMLR and Malaysian Code on Corporate Governance 2017.

The terms of reference of the Nominating and Remuneration Committee is provided in the Company’s website at [www.encorp.com.my](http://www.encorp.com.my).

The Nominating and Remuneration Committee deliberated on the following matters in 2020:

- Annual Board assessment on the effectiveness and competencies of the Board as a whole, Board Committees and individual directors;
- Evaluation of the independence of each Independent Director on an annual basis;
- Identification of appropriate training and education programmes with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contributions to the Board and Group; and
- Proposed appointment of new Directors and Group Chief Executive Officer.

#### **Policies and Procedures**

The Executive Director/GCEO is not entitled to annual Directors’ fees nor entitled to receive any meeting allowances for the Board and Board Committee meetings that he attends.

Non-Executive Chairman and Non-Executive Directors are paid yearly fees that are determined by the Board and approved at the AGM. Attendance allowances are also paid to the Non-Executive Chairman and Non-Executive Directors for each Board or committee meeting they attend.

The Directors' Remuneration Policy was adopted by the Board on 26 November 2015, which aims to attract, develop and retain high performing and motivated Directors with a competitive remuneration package.

The remuneration of Directors for the financial year ended 31 December 2020 is as follows:

<b>Group</b>	<b>Fees (RM'000)</b>	<b>Salaries/ Allowance &amp; Other Emoluments (RM'000)</b>	<b>Defined contribution plan (RM'000)</b>
Hussein bin Ismail	260	16.8	–
Mahadzir bin Mustafa	128	21.2	–
Datuk Haji Jaafar bin Abu Bakar	132	23.8	–
Abdul Rahim bin Abdul Hamid	140	23.8	–
<b>Total</b>	<b>660</b>	<b>85.6</b>	<b>–</b>

<b>Company</b>	<b>Fees (RM'000)</b>	<b>Salaries/ Allowance &amp; Other Emoluments (RM'000)</b>	<b>Defined contribution plan (RM'000)</b>
Hussein bin Ismail	240	15	–
Mahadzir bin Mustafa	108	20	–
Datuk Haji Jaafar bin Abu Bakar	96	22	–
Abdul Rahim bin Abdul Hamid	120	22	–
<b>Total</b>	<b>564</b>	<b>79</b>	<b>–</b>

Practice 7.2 of the Code states that the Company should disclose on a named basis the top (5) Senior Management’s remuneration component including salary, bonus, benefits in kind and other emoluments in bands of RM50,000. The Board is of the view that such disclosure will give rise to recruitment and talent retention issues. The remuneration for the top five (5) Senior Management for the financial year ended 31 December 2020, ranged as follows:

Remuneration ranges (RM)	No. of Senior Management
200,001 – 250,000	1
250,001 – 300,000	0
300,001 – 350,000	0
350,001 – 400,000	1
400,001 – 450,000	1
450,001 – 500,000	0
500,001 – 550,000	0
550,001 – 600,000	1

## **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **I. AUDIT AND GOVERNANCE COMMITTEE**

The Audit, Risk and Governance Committee is made up of three (3) members comprising of two (2) Independent Directors and one (1) Non-Independent Director appointed by the Board and it has written terms of reference clearly setting out its authority and duties. The terms of reference and Report of the Audit, Risk and Governance Committee are also provided in this Annual Report and website at [www.encorp.com.my](http://www.encorp.com.my).

The Audit, Risk and Governance Committee assists the Board in fulfilling its oversight responsibilities, primarily reviewing the quarterly and annual financial statements of the Group prior to their submission to the Board for approval, focusing particularly on accounting policies and compliance; reviewing the scope of external audit and audit process; and reviewing the Group’s system of internal control and risk management.

The Audit, Risk and Governance Committee currently comprises the following members:

Name	Designation	Directorship
Abdul Rahim bin Abdul Hamid	Chairman	Independent Non-Executive Director
Datuk Haji Jaafar bin Abu Bakar	Member	Independent Non-Executive Director
Mahadzir bin Mustafa	Member	Independent Non-Executive Director

#### Relationship with External Auditors

Through the Audit, Risk and Governance Committee, the Group has established a transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the laws and regulations. The external auditors were invited to attend the Audit, Risk and Governance Committee Meeting to give their views on the state of affairs of the Company, where necessary. The external auditors also highlight to the Board any material deficiency pertaining to the system of internal control and compliance issues of the Group.

The Company has established an External Auditors Policy to assess and monitor the external auditors. The Audit, Risk and Governance Committee has assessed the independence of Messrs Ernst & Young and was satisfied with their competency and independence. The Audit, Risk and Governance Committee has therefore recommended the re-appointment of Messrs Ernst & Young as auditors to the Board, upon which shareholders' approval will be sought at the forthcoming AGM.

## II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

#### Risk Management Committee

The Risk Management Committee comprises the Heads of Departments and Group's senior management. The Risk Management Committee reports to the Audit, Risk and Governance Committee on a quarterly basis. The Audit, Risk and Governance Committee assists the Board in providing oversight over the Group's management of risk and reviews the adequacy of compliance and control throughout the Group.

#### Internal Control

The Board of Directors recognises the pivotal role of a strong internal control system in keeping the Group on course towards its goal of maximising shareholders' value. To this extent, the need for a strong internal control environment has been ingrained into the culture of the Group by the Board and management.

The effectiveness of the Group's system of internal control is reviewed periodically by the Audit, Risk and Governance Committee. The Group's Statement on Risk Management & Internal Control is set out on page [xxx] to [xxx].

#### Whistle Blowing Policy

As part of its commitment to uphold the highest standards of ethics, integrity and accountability, the Group has formalised a Whistle Blowing Policy. This is essentially a mechanism to enable the employees to disclose internally any serious malpractice or misconduct without fear of reprisal. This policy provides a safe and acceptable platform for employees to channel their concerns about illegal, unethical or improper business conduct affecting the Group.

The complainant should report immediately if they have a reasonable belief that a wrongdoing has been, is being or it believed to have committed. The complainant is encouraged to make a report via the following methods:

- Meet or contact any Risk and Governance Department staff to make a report; and
- In writing and delivered either by hand, mail to the Chairman of Audit, Risk and Governance Committee.

The Board and the Management give their assurance that the whistle-blower identities are kept confidential and the whistle-blower will not be at risk to any detrimental action as a result of raising a concern with good faith. The Company, however, does not extend this assurance to someone who maliciously raises a matter which is untrue. If an investigation is necessary, the investigation team shall have full access to people, documentation and evidences as required and necessary to carry out the investigation in accordance to the authority assigned by the Board.

## **PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

### **I. COMMUNICATION WITH STAKEHOLDERS**

The Company adheres strictly to the disclosure requirements under the Listing Requirements of Bursa Securities. The financial results of the Company are announced quarterly to Bursa Securities via Bursa Link. Material transactions and events are also announced accordingly.

The Company recognises the importance of effective communication with shareholders, investors and the public in general. In this respect, the Company keeps shareholders, investors and the public informed through announcements, release of quarterly financial results, annual reports, circulars and general meetings. In line with the practices under the Code, a Stakeholders' Communication Policy was implemented to handle the process of handling queries from its stakeholders.

The Company maintains regular and effective communication with its shareholders and stakeholders by attending to shareholders' and investors' e-mails and phone calls enquiries, Company general meetings and other Company events. The Notice for the Company's Annual General Meetings provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM, their rights to appoint a proxy and information as to who may count as a proxy.

The Company's website has a dedicated section that provides all relevant information on the Company which is accessible to the public. While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material information.

### **Corporate Disclosure Policy**

The Board has formalised a Corporate Disclosure Policy (“CDP”) which aims to provide accurate, timely, consistent and fair disclosure of corporate information to enable informed and orderly market decision by the investors and stakeholders. The CDP sets out the policies and procedures for disclosure of material information of the Group. The CDP is applicable to all Directors and employees of the Group.

## II. CONDUCT OF GENERAL MEETING

The AGM is the principal forum for communication with shareholders. At each AGM, the Board encourages shareholders to participate in the question and answer session whereby the Directors are available to discuss aspects of the Groups’ performance and its business activities. The Chairman responds to shareholders’ questions during the meeting.

In line with Paragraph 8.29A of the Listing Requirements, the Company has always made the necessary preparation for poll voting for all resolutions at its AGM.