

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3557
COMPANY NAME : ECOFIRST CONSOLIDATED BHD
FINANCIAL YEAR : May 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("Board") is collectively responsible for meeting the objectives and goals of the Company. In order to ensure the effective discharge of the Board's functions and responsibilities, the Board delegates specific responsibilities and functions to various committees, namely Audit Committee, Nominating Committee, Remuneration Committee and Employees' Share Option Scheme Committee (collectively referred to as "Board Committees").</p> <p>The function, roles and responsibilities of the Board Committees as well as, the authorities delegated by the Board are clearly defined in the respective terms of reference, which are reviewed and updated as and when necessary. The key responsibilities of the Board as per the Board Charter are as follows:-</p> <ul style="list-style-type: none">➤ Setting the vision, mission, objectives, goals and strategic plans for the Group with a view to maximizing shareholders' value as well as ensuring long term sustainability of the Group's performance;➤ Reviews and adopts a strategic plan, as developed by Management, taking into account the sustainability of the businesses of the Group, with attention given to the environmental, economic, social and governance aspects of the operations;➤ Oversees the conduct of the Group's businesses, including monitoring the Management's performance to determine whether the business is being properly managed;

- Identifies principal business risks faced by the Group and ensures the implementation of appropriate internal controls and mitigating measures to manage such risks;
- Succession planning for both the Board and the Senior Management of the Group and ensuring that all candidates appointed to the Board and Senior Management positions are of sufficient calibre;
- Reviews the adequacy and integrity of the Group's management information and internal control systems, ensuring there is a sound framework of internal controls reporting and regulatory compliance and
- Ensure the integrity of the Company's financial and non-financial reporting.

The Board in discharging its responsibilities in meeting the goals and objectives of the Company, had during the financial year under review, performed the following:-

- The Board is responsible for reviewing the adequacy and effectiveness of the Group's current risk management and internal control system to ensure that the system remains relevant and applicable for the Group. The Board had approved the appointment of Sterling Business Alignment Consulting SB as Internal Audit to assess and review various initiatives and proposals took place in year 2018 for the improvement of the internal controls and risk management of the Group.
- The Board via Audit Committee constantly ensure that there is a sound framework on corporate reporting, including financial and non-financial reporting, disclosures on corporate governance, sustainability and other non-financial aspects.
- Together with the Senior Management, promote good corporate governance culture within the Group which reinforces ethical.

	<ul style="list-style-type: none"> ○ The Board through the Nomination Committee oversees the management succession planning. ○ The Board through the Remuneration Committee develops the Executive Directors' performance scorecard based on the strategic objectives which are aligned to the business plan and corporate goals set by the Board. ○ The Board is guided by its Board Charter which outlines the duties and responsibilities of the Board. The Board Charter is published at the Company's website at www.ecofirst.com.my 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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 / Independent Non-Executive Director, Dato' Syed Ariff Fadzillah Bin Syed Awalluddin</p> <p>The key responsibilities of the Chairman are set out below:-</p> <ul style="list-style-type: none">(i) To provide leadership to the Board;(ii) To oversee the effective discharge of the Board's supervisory role;(iii) To facilitate the effective contribution of all Directors;(iv) To ensure that quality information to facilitate decision-making is delivered to the Board on timely manner;(v) To ensure Board Meetings and General Meetings are in compliance with good conduct and best practices;(vi) To promote constructive and respectful relations between Board members and between the Board and the Management;(vii) To conduct and chair Board Meetings and General Meetings of the Company and(viii) To brief all the Directors in relation to issues arising at Meetings. <p>He chairs Board meetings and ensures the following:-</p> <ul style="list-style-type: none">(i) All relevant issues are on the agenda of Board meetings;(ii) Board debates strategic and critical issues;(iii) Board receives the necessary management reports relating to the Company's businesses on a timely basis; and(iv) All Directors are able to participate openly in discussions at Board meetings. <p>He ensures that the Board members are properly briefed on issues arising at board meetings and that available information on an issue is presented to the Board.</p> <ul style="list-style-type: none">• He will act as facilitator at board meetings to ensure that no Board member, whether executive or non-executive,

	<p>dominates discussion, that appropriate discussion takes place and that relevant opinion among Board members is forthcoming.</p> <ul style="list-style-type: none"> • He provides leadership to the Board and is responsible for the developmental needs of the Board. • He ensures the smooth functioning of the Board and the governance structure, and inculcating positive culture in the Board. • He ensures that procedures and processes are in place to facilitate effective conduct of business by the Board. • He chairs general meetings of the Company. 	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board ensures that the Chairman is a non-executive member of the Board. There is a clear division of responsibilities between the Group CEO and the Chairman to ensure a proper balance of power and authority. The former leads the Management of the Company and has overall responsibility for the operating units and the implementation of the Board's policies and decisions, whilst the latter is responsible for the orderly conduct and effectiveness of the Board in addition to facilitate constructive deliberation of matters in hand.</p> <p>The responsibilities of the Chairman, Dato' Syed Ariff Fadzillah Bin Syed Awalluddin amongst others, are as follows:-</p> <ol style="list-style-type: none">i. To provide leadership to the Board.ii. To oversee the effective discharge of the Board's supervisory role.iii. To facilitate the effective contribution of all Directors.iv. To ensure that quality information to facilitate decision-making is delivered to the Board on timely manner.v. To ensure Board Meetings and General Meetings are in compliance with good conduct and best practices.vi. To promote constructive and respectful relations between Board members and between the Board and the Management.vii. To conduct and chair Board Meetings and General Meetings of the Company.viii. To brief all the Directors in relation to issues arising at Meetings. <p>The responsibilities of the Group CEO, Dato' Tiong Kwing Hee amongst others, are as follows:-</p> <ol style="list-style-type: none">i. To develop and implement strategic business direction, plans and policies of the Group.ii. To ensure the efficiency and effectiveness of the Group's operations.

	<ul style="list-style-type: none"> iii. To supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Group. iv. To oversee the day-to-day management of the Group with all powers, discretions and delegations authorized, from time to time, by the Board. v. To assess business opportunities which are of potential benefit to the Group. vi. To bring material matters to the attention of the Board in an accurate and timely manner.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by 2 qualified and experienced Company Secretaries. Both of them are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. They are Associate member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and Malaysian Institute of Accountants (MIA) respectively.</p> <p>The Board has unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Company Secretaries attended all Board and Board Committees' meetings held for the financial year ended 31 May 2018. The Company Secretaries, together with the Directors, are responsible for the proper conduct of the meetings according to applicable rules and regulations. The Company Secretaries regularly update and advice the Board on new statutes, regulations and directives issued by regulatory authorities as well as corporate disclosures and compliance with the relevant changes to the laws, rules and regulations.</p> <p>The Company Secretaries ensure that deliberations at Board and Board Committee meetings are properly documented and subsequently communicated to the relevant management for their further actions.</p> <p>The Company Secretaries constantly keep themselves updated of the regulatory changes and corporate governance developments by attending workshops, conferences and training programs. The Board is satisfied with the support rendered by the Company Secretaries in discharging their functions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries tabled the annual meeting calendar in advance before the end of the calendar year. The schedule of pre-planned meetings of the Board and Board Committees, Annual General Meeting as well as closed period for dealing in securities of the Company by Directors.</p> <p>The Board normally meets quarterly to review financial, operational and business performances. The meetings are scheduled in advance to allow the Board members to plan their schedules. Notices and agenda of meetings are distributed at least one week prior to the meetings for the Directors via email. The same notification is sent to the Management, which include the deadlines for the submission of the board papers for the Management's easy reference. Upon receipt of all the relevant board papers from the Management, the Company Secretaries will compile all the board papers and circulate them to the Board Members at least three (3) days prior to the date of the meeting to facilitate the Directors to peruse the board papers and review the issues to be deliberated at the Board Meeting and, if necessary, obtain further information or clarification from the Management to ensure the effectiveness of the proceedings of the meetings. Occasionally, Board meetings or Board Committee meetings may be held at short notice, when decisions of a time-critical nature need to be made.</p> <p>The board papers provided include inter alia, financial results, business plan and budget, risk management and internal control reports, minutes of meetings of Board and Board Committees, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.</p> <p>A Director who has an interest in any proposal or transaction, either direct or indirect, which is being presented to the Board for approval, will declare his or her interest and abstain from deliberation and voting of the same at the Board Meeting.</p>

	<p>The meeting minutes will be circulated to the Board and confirmed as a correct record of the proceedings by the Board and Board Committees at their following respective meetings. The Company Secretaries will relay to the Management on the Board's decisions/ recommendations via circulation of draft minutes of meetings for the appropriate actions to be taken. The Company Secretaries will also follow up with the Management on status of actions taken with reference to the previous minutes of meetings to be updated to the Board.</p> <p>Upon confirmation by the Board or Board Committees at the following meetings, the minutes will be signed by the Chairman of the said meeting as a correct record of the proceedings of the meeting. Actionable items would be recorded in the minutes as matters arising until they are eventually resolved.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter, which is available on the Company's website, www.ecofirst.com.my sets out the composition and balance, roles and responsibilities, operation and processes of the Board.</p> <p>The Board Charter also incorporated the Code of Ethics and Conduct for the Directors' observations, which are intended to:-</p> <ul style="list-style-type: none"> ▪ Codify a standard of conduct by which all Directors are expected to abide; ▪ Protect the business interest of the Company; ▪ Maintain the Company's reputation for integrity ; and ▪ Foster compliance with applicable legal and regulatory obligation. <p>To ensure that no conflict of interest situation arise, each Board members is required to complete and confirm via self-evaluation form distributed annually to them. Where there is an issue involve conflict of interest, the Directors shall abstain from discussion and voting on the matters as well as abstain from any decision making process in relation to these transactions.</p> <p>The Board Charter will be reviewed from time to time by the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognizes the importance of adhering to the Code of Business Conduct and Ethics ("Code") and has taken measures to put in place a process to ensure its compliance. The areas covered are as follows:-</p> <ol style="list-style-type: none"> 1. Adhere to the standards of conduct such as <ol style="list-style-type: none"> 1.1 Honesty, integrity, good faith; 1.2 Conflict of Interest; 1.3 Confidential information and 1.4 Acceptance and Provision of Gifts and Entertainment. 2. Compliance with law, rules and regulations; 3. Safeguard company properties; 4. Corporate Social Responsibilities and 5. Reporting of suspected violation of code of conduct. <p>The Board constantly observe the Code and uphold integrity in discharging its fiduciary duties. The Code is available on the Company's website, www.ecofirst.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised and adopted a Whistle-Blowing Policy (“Policy”)and a copy of which can be viewed at the Company's website, www.ecofirst.com.my</p> <p>The objective of this Policy is to encourage reporting of any suspected fraud, corruption, conduct or inappropriate behavior of the Group. The Policy will provide an avenue for all employees of ECB and all agents, vendors, contractors, suppliers, consultants and customers of ECB and members of ECB to raise concerns about any improper conduct without fear of retaliation and to offer protection for the reporter who reports such allegations. This will strengthen the accountability and transparency in the business affairs of the Group.</p> <p>Any employee or member of the public who has knowledge or is aware of any improper conduct within the Group is encouraged to disclose through the Whistle-Blowing Form via email to the followings:-</p> <ul style="list-style-type: none"> a. Chairman of the Board of Directors at syedaf43@yahoo.com; b. Chairman of the Audit Committee at amosby@gmail.com; and c. Group Chief Executive Officer at khtiong@ecofirst.com.my. <p>The employee may send this form via local postal service if he/she wishes to remain anonymous.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Board comprises a majority independent directors. Four (4) of the six (6) Board members are Independent Non-Executive Directors. The Chairman is one (1) of the Independent Non-Executive Directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	<p>The Board agrees that the Company should apply the principle in the Malaysian Code of Corporate Governance 2017 in relation to reinforcing independency.</p> <p>The Board recognizes the importance of assessing the effectiveness of independent Directors, the Board as a whole and its Committees. The Nomination Committee (NC) is given the task to review and evaluate the individual Director's performance and the effectiveness of the Board and the Board's Committees on an annual basis. In assessing suitability of candidates, consideration will be given to the competencies, commitment, contribution and performance. The Nomination Committee is required to report annually to the Board an assessment of the Board's and its committees' performance. This will be discussed with the full Board. Every year, the Nomination Committee will evaluate each individual Director's contribution to the effectiveness of the Board and the relevant Board committees.</p> <p>The retention of independent directors after serving a cumulative term of nine (9) years is subject to shareholders' approval in line with the recommendation of the Malaysian Code on Corporate Governance. The Board is mindful that the limitation of term of service may result in a significant loss to the Company by the exit of Board members who are making critical contributions. The Board also recognizes that the benefits of experience and stability brought by the longer serving Directors are often in the best interest of the Company and its shareholders. The Board would provide the relevant justifications and seek the shareholders' approval accordingly.</p>

Dato' Syed Ariff Fadzillah Bin Syed Awalluddin ("Dato' Syed Ariff"), Dato' Amos Siew Boon Yeong ("Dato' Amos") and Dato' Boey Chin Gan ("Dato' Boey"), who have served the Board as Independent Non-Executive Directors for a tenure of exceeding nine (9) years and twelve (12) years would be recommended by the Board to be retained as an Independent Non-Executive Directors of the Company, subject to the approval of shareholders at the forthcoming Annual General Meeting ("AGM") on 26 October 2018.

Dato' Syed Ariff had served the Board as Independent Non-Executive Director exceeded his nine (9) years tenure on 27 January 2015 and was retained as an Independent Non-Executive Director by the shareholders of the Company at the Company's AGM and the last AGM was held on 27 October 2017.

Dato' Syed Ariff, who has served 12 years as an Independent Non-Executive Director, would be recommended by the Board to be retained as an Independent Non-Executive Director and the Chairman of the Company, subject to the approval of shareholders through a two-tier voting process at the forthcoming AGM to be held on 26 October 2018.

The Board has vide the NC reviewed and assessed the performance and independence of Dato' Syed Ariff and is satisfied that his independence has never been compromised by his long relationship with the Board and is of the view that he is able to continue exercising independent judgment to ensure the check and balance required for the businesses of the Group. The NC and the Board recognize the benefits of the experience and stability brought by Dato's Syed Ariff due to his long-service on the Board and as an active participant in the corporate community will serve the interest of the Company and its shareholders. As such, the NC and the Board would like to recommend the retention of Dato' Syed Ariff as an Independent Non-Executive Director and Chairman of the Company. Accordingly, the Board will seek the approval of the shareholders at the forthcoming AGM for Dato' Syed Ariff's retention. Dato's Syed Ariff has and will continue to abstain himself from all deliberations and/or voting at the meetings of the Company pertaining to his retention as an Independent Non-Executive Director.

Dato' Amos had served the Board as Independent Non-Executive Director exceeded his nine (9) years tenure on 27 October 2014 and was retained as an Independent Non-Executive Director by the shareholders of the Company at the Company's AGM and the last AGM was held on 27 October 2017.

Dato' Amos, who has served 13 years as an Independent Non-Executive Director, would be recommended by the Board to be retained as an Independent Non-Executive Director of the Company, subject to the approval of shareholders through a two-tier voting process at the forthcoming AGM to be held on 26 October 2018.

The Board has vide the NC reviewed and assessed the performance and independence of Dato' Amos and is satisfied that his independence has never been compromised by his long relationship with the Board and is of the view that he is able to continue exercising independent judgment to ensure the check and balance required for the businesses of the Group." The NC and the Board recognize the benefits of the experience and valuable insight and expertise of Dato' Amos and are certain that his continued service will serve the interest of the Company and its shareholders. As such, the NC and the Board would like to recommend the retention of Dato' Amos as an Independent Director of the Company. Accordingly, the Board will seek the approval of the shareholders at the forthcoming AGM for Dato' Amos's retention. Dato's Amos has and will continue to abstain himself from all deliberations and/or voting at the meetings of the Company pertaining to his retention as an Independent Non-Executive Director.

Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders' meeting:

- Tier 1: Only the Large Shareholder(s) of the Company votes.
- Tier 2: Shareholders other than Large Shareholder(s) votes.

Large Shareholder as defined under the Malaysian Code on Corporate Governance.

The decision for the resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority of votes determine the outcome of the Tier 1 vote.

The resolution is deemed successful if both Tier 1 and Tier 2 votes support the resolution.

However, the resolution is deemed to be defeated where the vote between the two tiers differs or where Tier 1 voter(s) abstained from voting.

	<p>Dato' Boey had served the Board as Independent Non-Executive Director exceeded his nine (9) years tenure on 1 April 2018, which would be recommended by the Board to be retained as an Independent Non-Executive Director of the Company, subject to the approval of shareholders through a single-tier voting process at the forthcoming AGM to be held on 26 October 2018.</p> <p>The Board has vide the NC reviewed and assessed the performance and independence of Dato' Boey and is satisfied that his independence has never been compromised by his long relationship with the Board and is of the view that he is able to continue exercising independent judgment to ensure the check and balance required for the businesses of the Group. The NC and the Board recognize the benefits of the experience and as an active participant in the corporate community will serve the interest of the Company and its shareholders. As such, the NC and the Board would like to recommend the retention of Dato' Boey as an Independent Non-Executive Director of the Company. Accordingly, the Board will seek the approval of the shareholders at the forthcoming AGM for Dato' Boey's retention.</p> <p>Dato's Boey will continue to abstain himself from all deliberations and/or voting at the meetings of the Company pertaining to his retention as an Independent Director.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

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	:	

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 Board has delegated the responsibility for recommending a potential candidate to fill a board vacancy to the Nomination Committee (“NC”) but the ultimate decision on the appointment of a candidate is solely that of the Board as a whole.</p> <p>The NC will screen the initial selection of the candidates, performing the requisite assessment of the said candidates before recommending to the Board for approval. This is to ensure that the candidate possesses the appropriate skills, competencies, experience, integrity and time to effectively discharge their role as a director. Besides that, the NC will also take into consideration diversity of the Board’s composition which inter alia, their character, experience, integrity, commitment competency, qualification and track record includes gender, ethnicity, age, etc.</p> <p>The Group is committed to encouraging diversity and inclusion in the workplace. The Group aims to create a culture that respects and values each other’s differences, promotes equality and diversity, and encourages individuals to grow and develop in order to realize their full potential. The Board will also prioritize selection criteria based on an effective mix of competencies, skills as well as relevant experience and knowledge in order to strengthen the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board acknowledges that the Malaysian Code of Corporate Governance encourages 30% women representation in the Board composition. Nevertheless, it will take some time for the Nomination Committee to search and select a suitably qualified woman director to meet the 30% target.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:	Others	The Board will consider future adoption, at an appropriate time.

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>In identifying the candidates for appointment as Directors, other than relying on the recommendations from the existing Board members, Management and/or major shareholders, the Board also explores independent sources to identify suitably qualified candidates. Such as engage executive search firms and other channels to assist in finding candidates with the relevant skills and background. The candidate must possess high standards of ethics, integrity and professionalism, display independent and sound business judgment and have meaningful experience and expertise in business, corporate, property, accountancy, law, finance or other relevant endeavors. The qualifications of a candidate will be considered in addition to other factors it deems appropriate based on the current needs and requirements of the Board including specific desired business and financial expertise, experience as a director of public listed company, age, gender and ethnic diversity. In addition to the criteria set above, the nominee for an Independent Director's vacancy must fulfill the independence test under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Nomination & Remuneration Committee are responsible to assess the suitability for the candidates before recommending to the Board for appointment.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nomination Committee (NC) is chaired by Dato' Syed Ariff Fadzillah Bin Syed Awalluddin, an Independent Non-Executive Director.</p> <p>The Company has adopted the best practice of appointing an Independent Director to chair the Nomination Committee and member of NC are as follow: -</p> <ol style="list-style-type: none"> 1) Dato' Syed Ariff Fadzillah Bin Syed Awalluddin (Chairman) 2) Dato' Boey Chin Gan (Member) 3) Datuk Ng Hock Heng (Member) <p>The terms of reference of the NC are available for reference at www.ecofirst.com.my</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	<p>The Directors are required on a yearly basis to complete a self-assessment checklist and the Nomination Committee (“NC”) carries out the annual evaluation to determine the effectiveness of its board, board committees and the individual directors by way of self and peer evaluation.</p> <p>The criteria used, amongst others:-</p> <ol style="list-style-type: none">1) for the annual assessment of individual Directors include an assessment of their roles, duties responsibilities, competency and contribution considering conflict if any.2) for the Board and Board Committees include composition, structure, accountability, responsibilities and compliance as well as governance. <p>In respect of the assessment for the financial year ended 31 May 2018, the NC reviewed the annual evaluation, its committees and each individual director. The Board was satisfied with the outcome of the evaluation and was of the view that the evaluation was adequate to determine the overall effectiveness of the Board and individual directors.</p> <p>Generally, the Directors were satisfied with the performance of the Board as a whole. The Director’s peer review indicated that all the Directors were of the view that each of them had performed their respective roles and functions effectively and responsibly during the financial year ended 31 May 2018. Each member was satisfied with each other’s contribution in sharing their insights and active participation in Board and Board Committees’ discussions. All the Board Committees were assessed to be effective in discharging their roles and responsibilities as per the terms of reference.</p>

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

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee is responsible to annually review the performance achievement of the Executive Directors and guided by the Remuneration Policy, makes recommendations to the Board on the framework of the Executive Directors' remuneration package the reflex market value, individual performance, job responsibilities and the Group's performance against financial objectives.</p> <p>The Group recognizes that in order to attract and retain Directors, it is important to have a fair and competitive remuneration package that commensurate with their experience, skills, responsibilities, performance, contribution as well as industry benchmark. In view of this, framework and guidelines provided by independent consultant and market data on the remuneration practices of comparable peers are taken into consideration in determining the remuneration package for Executive Directors.</p> <p>The total remuneration package of Executive Directors is made up of various components, primarily consisting of fixed monthly salary, performance bonus, incentive pay, employee share option as well as benefits-in-kind. Executive Directors are not entitled to directors' fees and meeting allowances for his/her services.</p> <p>The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance.</p> <p>For Independent Non-Executive Directors, the level of remuneration reflects their experience, level of responsibilities and industry's benchmark as well as complexity of the Group's businesses. The remuneration of Independent Non-Executive Directors consists of fixed directors' fees per annum and meeting</p>

	<p>allowances for every Board or Board Committee meeting attended.</p> <p>The directors' fees for the Independent Non-Executive Directors are not determined based on the financial results of the Company but the experience and level of responsibilities undertaken by the individual Non-Executive Directors concerned. Independent Non-Executive Directors are not entitled to any performance bonus or any incentive arrangements.</p> <p>The Board as a whole resolves on the directors' fees for the Independent Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The directors' fees payable to the Independent Non-Executive Directors are subject to the approval of shareholders at the Annual General Meeting. Currently, the Chairman/Independent Non-Executive Director is entitled to a director's fee of RM50,000 per year while the rest of the Independent Non-Executive Directors are entitled to directors' fees ranging from RM40,000 to RM46,000 per individual per year. Their travelling allowance is set at RM1,000 per individual per meeting.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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	:	<p>The Board has established a Remuneration Committee (RC) to ensure that remuneration arrangements support the strategic aims of the Group's businesses and to enable the recruitment, motivation and retention of Executive Directors. The Term of Reference of Remuneration Committee is available at the Company's website, www.ecofirst.com.my</p> <p>The RC comprises entirely of Independent Non-Executive Directors as follow:</p> <ol style="list-style-type: none">1) Datuk Ng Hock Heng (Chairman)2) Dato' Syed Ariff Fadzillah Bin Syed Awalluddin (Member)3) Dato' Amos Siew Boon Yeong (Member) <p>The RC Committee also reviews the remuneration package of the Executive Directors to ensure that it commensurate with their scope of responsibilities and performance achieved.</p> <p>The RC meets as and when required and at least once a year. The RC met one (1) time during the financial year ended 31 May 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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 :	<p>The remuneration in nearest thousand of Ringgit Malaysia (RM'000) received/to be received by each of the Directors for the financial year ended 31 May 2018 is set out in the tables below:</p> <p>a) Independent Non-Executive Directors</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Director Fee and Audit committee Fee (RM'000)</th> <th>Fixed Allowance (RM'000)</th> <th>Money Value of Benefits (RM'000)</th> <th colspan="2">Total (RM'000)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Dato' Syed Ariff Fadzillah Bin Syed Awalluddin</td> <td>80</td> <td>5</td> <td>-</td> <td colspan="2">85</td> </tr> <tr> <td>2</td> <td>Dato' Amos Siew Boon Yeong</td> <td>60</td> <td>5</td> <td>-</td> <td colspan="2">65</td> </tr> <tr> <td>3</td> <td>Dato' Boey Chin Gan</td> <td>54</td> <td>-</td> <td>4</td> <td colspan="2">58</td> </tr> <tr> <td>4</td> <td>Datuk Ng Hock Heng</td> <td>54</td> <td>3</td> <td>-</td> <td colspan="2">57</td> </tr> </tbody> </table> <p>b) Non-Independent Executive Directors</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Salary (RM'000)</th> <th>Bonus/Incentive (RM'000)</th> <th>Defined Contribution Plan (i.e. EPF) (RM'000)</th> <th>Benefit In Kind (RM'000)</th> <th>Total (RM'000)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Dato' (Dr) Teoh Seng Foo</td> <td>684</td> <td>37</td> <td>33</td> <td>35</td> <td>789</td> </tr> <tr> <td>2</td> <td>Dato' Tiong Kwing Hee</td> <td>660</td> <td>55</td> <td>86</td> <td>35</td> <td>836</td> </tr> </tbody> </table>						No.	Name	Director Fee and Audit committee Fee (RM'000)	Fixed Allowance (RM'000)	Money Value of Benefits (RM'000)	Total (RM'000)		1	Dato' Syed Ariff Fadzillah Bin Syed Awalluddin	80	5	-	85		2	Dato' Amos Siew Boon Yeong	60	5	-	65		3	Dato' Boey Chin Gan	54	-	4	58		4	Datuk Ng Hock Heng	54	3	-	57		No.	Name	Salary (RM'000)	Bonus/Incentive (RM'000)	Defined Contribution Plan (i.e. EPF) (RM'000)	Benefit In Kind (RM'000)	Total (RM'000)	1	Dato' (Dr) Teoh Seng Foo	684	37	33	35	789	2	Dato' Tiong Kwing Hee	660	55	86	35	836
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Measure :		
Timeframe :		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the view that due to the highly competitive industries in which the Group is operating, the Group faces challenges in talent management and retention. Therefore, the Board is of the opinion that disclosing the remuneration of senior management would be a disadvantage to the Group.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board has decided not to disclose the top 5 senior management's remuneration	
Timeframe	:	Others	Not disclosing

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	:	

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	:	<p>The Audit Committee is led by Dato' Amos Siew Boon Yeong, the Independent Non-Executive Director who is not the Chairman of the Board.</p> <p>The Audit Committee comprises entirely of Independent Non-Executive Directors as follow:-</p> <ol style="list-style-type: none"> 1) Dato' Amos Siew Boon Yeong (Chairman) 2) Dato' Syed Ariff Fadzillah Bin Syed Awalluddin (Member) 3) Dato' Boey Chin Gan (Member) <p>The detailed report of the Audit Committee is set out in the Company's Annual Report 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Departure	
Explanation on application of the practice	:	Currently, none of the members of the Audit Committee is a former key audit partner of the Company. The Audit Committee will consider to revise the terms of reference to include this practice.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee ("AC") had undertaken an assessment on the suitability of the external auditors for the financial year under review.</p> <p>During the financial year ended 31 May 2018, the Audit Committee assessed the suitability, effectiveness and independence of the External Auditors and ensured that the provision of non-audit services by the External Auditors was not in conflict with their audit function. The annual assessment of the External Auditors encompassed areas such as objectivity and independence, competency, quality of services, communication and interaction, audit planning, delivery, fees and adequacy of resources.</p> <p>On 4 September 2018, Russell Bedford LC & Co (Russell) in its presentation on External Auditors' report to the Audit Committee, declared its independence from the Group in relation to its engagement as External Auditors of the Group in accordance with the terms of all relevant professional and regulatory requirements in respect of the audited financial statements of the Group for the financial year ended 31 May 2018. The Audit Committee was satisfied with the independence and performance of the External Auditors for the financial year ended 31 May 2018. As such, the Audit Committee had recommended the re-appointment of Russell as the External Auditors of the Company for the financial year ended 31 May 2019 for the shareholders' approval at the forthcoming Forty-Fifth Annual General Meeting ("AGM") of the Company to be held on 26 October 2018. The Board at its meeting held on 4 September 2018, approved the Audit Committee's recommendation.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	All three (3) members of the Audit Committee are Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee has a mix of suitably qualified and experienced professionals in the fields of accountancy, economy, real estate development, property management and human capital development.</p> <p>Dato' Amos, the Chairman of the Audit Committee, is a member of Malaysian Institute of Accountants. Accordingly, the Company complies with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>All the members of the Audit Committee are financially literate and are able to understand and grasp complex issues brought to its attention including the financial reporting standards and processes.</p> <p>The members of the Board including the Audit Committee members, had during the financial year, attended various training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations, risk management and business environment. Details of the trainings or seminars attended by the members of the Audit Committee during the financial year ended 31 May 2018 are set out in the Corporate Governance Statement under "Directors' Training" in the Annual Report 2018 of the Company.</p> <p>The members of the Audit Committee had also been briefed on the relevant changes in the financial reporting standards by the Financial Controller and External Auditors at the Audit Committee meetings held in the financial year.</p>

	<p>During the financial year under review, the Board through the Nomination Committee, had assessed the performance of the Audit Committee and its members and was satisfied with the performance of the Audit Committee and its members in discharging their duties and responsibilities.</p> <p>The detailed report of the Audit Committee’s activities for the financial year ended 31 May 2018 is set out in the Audit Committee Report of the Company’s Annual Report 2018.</p>	
<p>Explanation for departure</p>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	:	
<p>Timeframe</p>	:	

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board acknowledges its responsibility for maintaining a sound risk management framework and internal control system to safeguard the stakeholders and shareholders' investment and group's assets. The Board has a stewardship responsibility to understand the risk of the Group, provide guidance on dealing with these risks and to ensure risks are managed proactively, in a structured and consistent manner.</p> <p>The Board has implemented an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and strategies throughout the period.</p> <p>The risk management and internal audit functions has been outsourced to an independent professional consultancy firm entrusted with the role of providing independent and systematic review on the system of internal control of the Group.</p> <p>The risk management and internal audit functions provides an independent and objective feedback to the Audit Committee and the Board on the adequacy, effectiveness and efficiency of the internal control system within the Group.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The features of the risk management and internal control framework and its adequacy and effectiveness can be found in the Statement of Risk Management and Internal Control, as contained in Annual Report 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit (“IA”) function has been outsourced to an independent professional consultancy firm. The internal audit function reports directly to the Audit Committee on quarterly basis to provide feedback regarding the adequacy and integrity of the Group’s system of internal control.</p> <p>The internal audit plan is designed to address the critical business processes and internal control gaps, gauge the effectiveness and adequacy of the existing state of internal control and recommend continuous improvements to the internal control system. The Audit Committee reviews the audit plan, together with internal audit reports to obtain the necessary level of assurance with respect to the adequacy of the internal controls as required by the Board.</p> <p>All internal control deficiencies identified were reported to the appropriate levels of management. The Audit Committee received quarterly reports from the IA on audit reviews carried out, management’s responses to the findings and progress in addressing the identified issues. The relevant management members were made responsible for ensuring that corrective actions on reported control deficiencies were taken within the required timeframes. IA conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately and timely. In this respect, IA has added value by enhancing the governance, risk management and control processes within the Group.</p> <p>A summary of the IA’s activities during the financial year ended 31 May 2018 is set out in the Audit Committee Report in the Annual Report 2018.</p>
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

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>For the function of internal audit, the Group had outsourced its internal audit role to an independent professional firm of consultants, i.e. Sterling Business Alignment Consulting Sdn. Bhd. who is a corporate member of The Institute of Internal Auditors Malaysia (IIAM), to provide the Board with the assurance it requires regarding the adequacy and integrity of the Group's system of internal control. With the engagement, the internal auditors have disclosed that there are no relationships or conflict of interest in the discharge of it responsibilities and that they remained independent and have no direct operational responsibility or authority over any of the activities audited.</p> <p>The internal audit exercises are carried out based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework in assessing the effectiveness of the Group's internal control system. Each quarterly audit is engaged by approximately 2 to 5 audit personnel depending to the areas of audit. From the review, opportunities for improvement to the system of internal control were identified and presented to the Audit Committee via internal audit reports, whilst the management formulated the relevant action plans to address the issues noted.</p> <p>The internal Auditors are free from any relationships or conflicts of interest, which could impair their objectivity and independence. Further details of the risk management, internal control and internal audit function are disclosed in the Statement on Risk Management and Internal Control as contained in the Annual Report 2018</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognizes the importance of being transparent and accountable to the Company's shareholders and prospective investors. By maintaining consistent and extensive communication with its shareholders, its mutual relationship with its shareholders would be strengthened. This would also enhance the shareholders' understanding of the Group as well as their ability in making informed investment decisions.</p> <p>One of the platforms used is announcements released through Bursa LINK which can also be accessed via the Company's website, www.ecofirst.com.my</p> <p>The Company has incorporated a section for "Investor Relations" in its website, which provides all relevant information on the Group such as quarterly results and audited financial statements, general announcements, circulars, minutes of general meetings, investor alert, change in shareholdings and corporate governance. The information is easily accessible by the public. Annual reports and circulars to shareholders are also made available at this website for review. The public can also subscribed our e-newsletter in our website, the latest information on our company progress via our quarterly e-newsletters and share updates will be delivered via registered email.</p> <p>The Group has a dedicated electronic mail, corpcomm@ecofirst.com.my to which shareholders can direct their queries or concerns.</p> <p>The Board values constant dialogue and is committed to clear communication with its shareholders and investors. In this respect, as part of the Group's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, shareholders and the media to convey information about the Group's performance, corporate</p>

	<p>strategies and other matters affecting shareholders' interests. The Group has engaged public relation firm and established internal corporate disclosure policy and an investor relations team to address all communications with its shareholders, the media and the investing public.</p> <p>During the financial year, the Group had conducted quarterly press and analysts' updates and held meetings with investors, research analysts and media.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board has acknowledged the important to adopt international integrated reporting framework. As such, the current reporting in the Annual Report 2018 has provided the financial and non-financial information including Corporate Governance Statement and Sustainability Statement in a fairly comprehensive overview to the shareholders and stakeholders.	
		The Group will continue to keep abreast with the latest requirements of the integrated reporting framework.	
<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>Notice of the 45th Annual General Meeting (“AGM”) has been given to the shareholders at least 28 days prior to the meeting.</p> <p>The Notice of was issued on 27 September 2018 for the AGM to be held on 26 October 2018. The notice of 45th AGM was circulated in the Annual Report, Bursa company announcement website, newspaper and Company’s website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All the Directors have attended the 44 th AGM held by the Company on 27 October 2017. The Chair of the Audit, Nominating and Remuneration Committees were presence at the aforesaid general meeting to provide meaningful response to questions addressed to them.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company has yet to leverage on technology to conduct general meetings at more than one venue using technology and voting in absentia due to the cost, security and readiness of the technology.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company will look into a suitable and reliable voting system to facilitate voting in absentia and remote participation by shareholders. The Company will carefully consider all factors including all applicable requirements and processes as well as cyber security concerns in implementing the electronic voting and remote shareholder participation.	
Timeframe	:		

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

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

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