

CORPORATE GOVERNANCE REPORT

STOCK CODE : AYER 2305
COMPANY NAME : AYER HOLDINGS BERHAD
FINANCIAL YEAR : December 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 PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible, amongst others, for charting and communicating the strategic direction, enhancing corporate values of the Group and supervising its affairs to ensure its success within a framework of acceptable risks, as well as compliance with the relevant laws and regulations. It also reviews the performance of the management team and ensures that the necessary financial and material resources are available to meet the Group's objectives.</p> <p>Apart from matters which are expressly required by law to be approved by the Board, the matters specifically reserved for the Board's approvals, amongst others, are as follows:</p> <ul style="list-style-type: none">• Charter for the Board and the terms of reference for the various Board Committees;• Material acquisitions and disposals of assets not in the ordinary course of business of the Group;• Related party transactions;• Authorisation limit and levels;• Risk management policy;• Recommendations of interim and final dividends;• Strategic plan, annual operating and capital expenditure budgets;• Financial statements;• Material contracts;• Appointment and removal of auditors; and• Appointment and removal of Directors of the Group, Group Chief Operating Officer ("GCOO") and other senior management positions based on the recommendations of the Nomination and Remuneration Committee. <p>The Board also delegates specific responsibilities to the respective committees of the Board, namely the Audit Committee, Nomination and Remuneration Committee, Strategic and Oversight Committee and Board Risk Committee, all of which operate within their defined terms of reference. Notwithstanding this, the Board remains</p>

responsible for its fiduciary duties.

The Board assumes, amongst others, the following roles and responsibilities in discharging its fiduciary and leadership function:

a) Reviewing and adopting the Company’s strategic plans

The Board has put in place a process where the Management will present their budget and business plan for the Board’s review and approval. The Board will discuss and review the budget and business plan by providing their feedback to ensure that the Management has considered all relevant factors in developing such budget and business plan.

A Board committee, the Strategic and Oversight Committee (“SOC”) which comprises three (3) Directors provides oversight, high-level review and feedback on the strategy, business plan, financial budget, policies and procedures for the Group. The Strategic and Oversight Committee will also monitor the financial and operational performance of the Group’s business and operations.

The Strategic and Oversight Committee comprises the following Non-Executive Directors:

Mr. Lim Ke Hun (Chairman) – Non-Independent Non-Executive Director

Ms. Lim Wan Yee - Non-Independent Non-Executive Director

Mr. Lim Kee Choon - Non-Independent Non-Executive Director

The attendance record of the members is set out below:

Member	No. of Meetings Attended
Mr. Lim Ke Hun	32/32
Mr. Lim Kee Choon	30/32
Ms. Lim Wan Yee	32/32

b) Overseeing the conduct of the Company’s business

The Management is responsible for the day-to-day management of the business and operations of the Group. The Board will oversee the conduct of the Company’s business by monitoring the performance of the Management under the leadership of the GCOO in delivering the approved targets in accordance with the annual operating budget and business plan.

The Company has put in place a management performance system with identified Key Performance Indicators and targets set in line with the Group’s strategy and budget. The Management Key Performance Indicators are cascaded down to all employees. Employees will then be rewarded based on the achievement of their respective Key Performance Indicators.

	<p>c) Succession planning</p> <p>Executive functions are delegated to the Management led by the GCOO. The Group will continue to develop its talent pool for succession planning and to meet future challenges.</p> <p>The Nomination and Remuneration Committee undertakes a yearly evaluation of the performance of key management personnel to ensure that experienced and capable individuals fill all such key positions.</p> <p>The Board regular reviews the strategic direction of the Company and takes into account, amongst others, the governance aspects of the Group’s businesses as part of its broader responsibility to purchasers, shareholders and the communities in which it operates, and to deliver long-term sustainable value to the shareholders of the Company.</p> <p>The Board promotes and practices good corporate governance throughout the Group with the objective of translating these practices into better corporate performance.</p> <p>The Company recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative work culture that will provide sustainability for the Company. The Group will continuously focus on ensuring the well-being of the employees is being looked after and to promote a merit-based culture in the Group.</p> <p>The Group will continue to contribute to the social and economic development of the communities in which the Group operates. At the same time, the Group will place emphasis on the environmental impact of its products and services and will continue to promote an environmentally sustainable and responsible culture across the organisation.</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

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	:	Tan Sri Datuk Yong Poh Kon is the Chairman of the Board and the role of the Chairman is stated in the Board Charter which is available on www.ayer.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 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Board is Tan Sri Datuk Yong Poh Kon and the GCOO who assumes the duties of CEO is Mr. Jeffery Yoon Weng Choon.</p> <p>The Chairman is responsible to provide leadership to the Board in ensuring the effectiveness of all aspects of Board roles.</p> <p>The role and the responsibilities of the Chairman and the GCOO are clearly separated and distinct to ensure that there is a balance of power and authority. The Board is chaired by the Non-Executive Chairman and the GCOO who is not a member of the Board is responsible for the day-to-day management of the Group's businesses with the necessary authority delegated 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

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 Ms Teo Mee Hui (MAICSA 7050642) and Ms Ng Sally (MAICSA 7060343), Chartered Secretaries and fellow members of the Malaysian Institute of Chartered Secretaries and Administrators, who are responsible for providing support and guidance to the Board on issues relating to compliance with rules and regulations and relevant laws affecting the Company as well as amongst others, the following matters:</p> <ul style="list-style-type: none">• Preparing meeting agendas in consultation with the Chairman of the meeting and the Management;• Organising and attending Board and Board Committee meetings and preparing the minutes thereof;• Compiling and circulating Board and Board Committee meeting papers;• Supporting the Board on adherence to Board Policies and Procedures;• Advising the Board on corporate governance issues;• Communicating with regulatory bodies and Bursa Malaysia Securities Berhad;• Attending to all statutory and other filings; and• Facilitating the Board in conducting the annual Board Effectiveness Assessment. <p>All Directors have full access to the advice and services of the Company Secretaries and their appointment and removal are decided 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

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 Board receive meeting agendas and relevant board papers at least seven (7) days before the scheduled board meeting for the Directors to have sufficient time to peruse, obtain additional information and/or to seek further clarification on matters intended to be deliberated. The Board papers are presented in a concise manner and contain both quantitative and qualitative information which includes, amongst others, minutes of Board Committees, and other related matters that require the Board's deliberation and due approval. The Management is invited to attend Board meetings to report and brief on matters relating to their areas of responsibility. Any issues being discussed and concluded during the Board deliberations will be recorded in the minutes of Board meetings.</p> <p>The Directors shall be notified of any corporate announcement(s) released to Bursa Malaysia Securities Berhad and the impending restriction(s) in dealing with the securities of AYER prior to the announcement of financial results or corporate proposals. Directors are also expected to observe insider trading laws at all times when dealing with securities within the permitted trading period.</p> <p>Any Director who wishes to seek independent professional advice in the furtherance of his duties may do so at the Company's expense. Directors have access to all information and records of the Company, as well as the advice and services of the Company Secretaries.</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 in discharging its functions and responsibilities is guided by the Board Charter which was adopted in August 2013 and comprises, amongst others, the following pertinent matters:</p> <ul style="list-style-type: none"> • The role and key objectives of the Board; • The composition of the Board; • The role and responsibilities of the Board and those delegated to the Board Committees and Management; and • Investor relations and relationship with other stakeholders. <p>The Board last reviewed the Board Charter on 22 February 2017 and the Board Charter is available on the Company's website at www.ayer.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has formalised a Code of Conduct for its Directors to promote an ethical framework, policies and conduct throughout the Group. The Code of Conduct serves as guidance on the standard of behaviour expected of all Directors in the discharge of their duties and/or dealings with the Company to maintain high standards of business ethics and integrity.</p> <p>All employees have been provided with the Code of Conduct and Ethics. The Director's Code of Conduct and the employee's Code of Conduct and Ethics are available on the Company's website at www.ayer.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 Group has a whistleblowing policy whereby all employees are encouraged to report genuine concerns or issues including but not limited to, reporting of fraudulent financial information, actual or suspected fraud, misappropriation of monies, misrepresentation, concealment of facts or information with the intention to mislead, violation of laws and regulations, endangerment of employees or public health and safety, violation of Company policies, taking or giving kickbacks, bribes, favours, privileges, criminal offences, blackmailing, amongst others.</p> <p>Any employee who has reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to the Chairman of the Audit Committee in writing. The Management will ensure that any employee of the Company who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board now has five (5) members, comprising three (3) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors.	
		The Board is reviewing the board composition to comply with the practice.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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 - Two Tier Voting
Explanation on application of the practice	:	Tan Sri Datuk Yong Poh Kon has served on the Board as an Independent Director for a cumulative term of fifteen (15) years. The Board, after considering the recommendation of the Nomination and Remuneration Committee and without the participation of Tan Sri Datuk Yong Poh Kon, resolved to retain him as an Independent Director as he brings a wealth of knowledge and experience to the Group. In addition, he provides effective checks and balances in Board proceedings and continues to exercise his independence and objective judgment in Board deliberations and Board Committee meetings. A resolution will be tabled in the forthcoming Annual General Meeting to retain Tan Sri Datuk Yong Poh Kon as an Independent Director through a two-tier voting process.
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 4.3 - 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, through the Nomination and Remuneration Committee, has established the Directors appointment process. The Nomination and Remuneration Committee's terms of reference include review and recommend policies on nomination and remuneration framework to the Board on all aspects of employment including but not limited to employment terms, benefits, remuneration and compensation for Non-Executive Directors, Executive Directors and key management positions under the employment of AYER Holdings Berhad or its subsidiaries. The key management position shall include the Group Chief Operating Officer, Chief Marketing Officer, Chief Financial Officer, General Manager Property and any other equivalent key positions. The decision of the nomination and remuneration framework shall be the responsibility of the Board.</p> <p>The Nomination and Remuneration Committee evaluate the annual performance of the key personnel to ensure the position is filled by suitably qualified person.</p> <p>(a) Board and its Committees Appointment Process</p> <p>The Nomination and Remuneration Committee is responsible for identifying and recommending suitable candidates for Board membership through a transparent and rigorous process. The Nomination and Remuneration Committee does have the liberty to rely on external opinions and services for such recommendations. The Board will have the ultimate responsibility and final decision on such appointment. The assessment and selection of the candidate should be based on the following criteria:</p> <ul style="list-style-type: none">• skills, knowledge, expertise, qualification and experience;• understanding of the Group's businesses;• integrity and judgment;• professionalism;• time commitment;• ability to form independent judgement; and• any other criteria deemed fit. <p>Notwithstanding the above, the Nomination and Remuneration Committee also takes into consideration the following factors for the purposes of the appointment: -</p> <ul style="list-style-type: none">• other factors that promote diversity in age, gender, ethnicity

and experience; and

- in the case of candidates for the position of Independent Non-Executive Director, whether such candidate has met the requirements for independence as defined in Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Upon deciding on their selection(s), the Nomination and Remuneration Committee will contact those identified candidates to determine and further enquire on the candidate's interest in serving the Company. This communication will ensure that prospective Board member(s) have clarity regarding the nominating process as well as Director/Board profiles, roles and responsibilities, expectation of time commitment and other criteria as required.

The recruitment process concludes with an induction programme for a newly appointed director. The purpose of the induction programme is to, amongst others, allow the newly appointed director to understand the Company's vision and mission, the nature of the business, the corporate strategy and business plan.

(b) Re-appointment and Re-election of Directors

The Company's Constitution ("Constitution") provide that at least one-third of the Directors are subject to retirement by rotation at each Annual General Meeting ("AGM") and that all Directors shall retire at least once in every three (3) years. A retiring Director is eligible for re-election. The Constitution also provides that a Director who is appointed by the Board in the course of the year shall be subject to election at the next AGM to be held following his/her appointment.

The Company does not have term limits for Directors. However, the Nomination and Remuneration Committee on an annual basis reviews the performance and the contribution of the Director on an annual basis. The Company, however, believes that valuable contribution can be obtained from a Director who has served the Company over a period of time since they have likely developed valuable insights of the Group and its businesses. Their continued contributions as Independent Directors provide benefits to the Board and the Group as a whole. Notwithstanding the aforesaid, the Nomination and Remuneration Committee takes into consideration relevant regulations that may have set conditions or limitation on the tenure of the Directors before arriving at the Nomination and Remuneration Committee's decision on its recommendation to the Board.

The Nomination and Remuneration Committee will provide their recommendation to the Board for the Board's recommendation to the shareholders for the re-election and re-appointment of a Director at the AGM.

In determining whether to recommend a Director for re-election, the Director's past attendance at meetings, participation and contribution to the functions of the Board and its committee will

	be duly considered by the Nomination and Remuneration Committee.	
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	:	Applied																																																		
Explanation on application of the practice	:	<p>The Board recognises diversity at the boardroom and in its workforce in terms of gender, ethnicity and age as an essential component of good corporate governance. The Board has a policy of strictly adhering to the practice of non-discrimination in any form, whether based on race, age, religion and gender throughout the organisation, which includes the selection of Board members. To enhance the gender diversity of the Board, the Nomination and Remuneration Committee has determined that the Company shall have at least one (1) female Director. The Board Diversity Policy is available on the Company's website at www.ayer.com.my.</p> <p>Composition by Gender</p> <table border="1"><thead><tr><th>Gender</th><th>Board Level</th><th>%</th><th>Workforce</th><th>%</th></tr></thead><tbody><tr><td>Male</td><td>4</td><td>80</td><td>118</td><td>59</td></tr><tr><td>Female</td><td>1</td><td>20</td><td>83</td><td>41</td></tr><tr><td>Total</td><td>5</td><td>100</td><td>201</td><td>100</td></tr></tbody></table> <p>Composition by Ethnicity</p> <table border="1"><thead><tr><th>Ethnicity</th><th>Board Level</th><th>%</th><th>Workforce</th><th>%</th></tr></thead><tbody><tr><td>Bumiputra</td><td>-</td><td>-</td><td>125</td><td>62</td></tr><tr><td>Chinese</td><td>5</td><td>100</td><td>40</td><td>20</td></tr><tr><td>Indian</td><td>-</td><td>-</td><td>36</td><td>18</td></tr><tr><td>Others</td><td>-</td><td>-</td><td>0</td><td>0</td></tr><tr><td>Total</td><td>5</td><td>100</td><td>201</td><td>100</td></tr></tbody></table>	Gender	Board Level	%	Workforce	%	Male	4	80	118	59	Female	1	20	83	41	Total	5	100	201	100	Ethnicity	Board Level	%	Workforce	%	Bumiputra	-	-	125	62	Chinese	5	100	40	20	Indian	-	-	36	18	Others	-	-	0	0	Total	5	100	201	100
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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	:	The Nomination and Remuneration Committee, which is responsible for identifying and recommending suitable candidates for Board membership, does have the liberty to rely on external opinions and services in its assessment and recommendation process as stated in Practice 4.4.	
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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination and Remuneration Committee is chaired by Tan Sri Datuk Yong Poh Kon, an Independent Director.	
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>During the financial year, the Nomination and Remuneration Committee has carried out the performance evaluation of the Board, its committees and each of the Directors with the assistance of the Company Secretary. The assessment of the Board and its committees is based on the following main areas: -</p> <ul style="list-style-type: none">• Board’s structure and operations;• functionality;• effectiveness of the meetings; and• corporate governance. <p>The assessment involves the individual Directors and Board Committee members completing separate evaluation questionnaires regarding the procedures implemented by the Board and the Board Committees and whether any improvement needs to be considered to enhance the effectiveness of such procedures.</p> <p>They also undertook peer review in which they assessed their fellow Directors’ performance against the following criteria:</p> <ul style="list-style-type: none">• abilities and competencies;• personality;• technical knowledge;• level of participation at Board and its committees; and• contribution to the Board’s processes as well as the business strategies and performance of the Group. <p>The results of the assessments were compiled and analysed by the Company Secretary and presented and discussed at the Nomination and Remuneration Committee’s meeting and subsequently at the Board Meeting.</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

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 Nomination and Remuneration Committee and the Board ensures that the Company's remuneration policy is in line with the Company's corporate objectives and the interest of the shareholders of the Company and that the remuneration packages of Directors and the Senior Management team are sufficiently attractive to attract and retain persons of high calibre.</p> <p>The following are the salient elements of the Directors' remuneration policy:</p> <ul style="list-style-type: none">• Non-Executive Directors <p>All Non-Executive Directors are paid a fixed annual director fee as members of the Board and Board committees. The amount of fees is based on the experience and level of responsibilities undertaken by the individual Non- Executive Directors as well as the industry and market practices in determining the level of remuneration to be recommended to shareholders for approval. Non-Executive Directors are also paid a meeting attendance allowance of RM1,000 per meeting for Board meetings and shareholders' general meeting and RM700 per meeting for Board Committee meetings.</p> <ul style="list-style-type: none">• Senior Management team <p>The Senior Management team's remuneration and rewards are linked to corporate and individual performance. The performance is measured against the key performance indicators set in accordance with the Company's annual budget and business plan.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Terms of Reference for the Nomination and Remuneration Committee is available on www.ayer.com.my .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	: Applied						
Explanation on application of the practice	: A summary of the Directors' remuneration during the financial year ended 31 December 2018, proposed by the Nomination and Remuneration Committee: -						
		Company			Subsidiaries		Group Total
		Fees	Others*	Company Total	Fees	Others*	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Non-Independent Non-Executive Directors						
	Mr. Lim Ke Hun	210	35	245	250	31	526
	Mr. Lim Kee Chun	210	35	245	250	31	526
	Ms. Lim Wan Yee	220	34	254	240	32	526
	Independent Non-Executive Directors						
	Tan Sri Datuk Yong Poh Kon	190	40	230	-	-	230
Mr Chin Yoong Kheong	210	49	259	-	-	259	
Total	1,040	193	1,233	740	94	2,067	
	* Others include meeting allowances, insurance premium, medical expenses, mobile phone bills, professional bodies memberships, travelling, training and entertainment.						
	The above figures have not accounted for over-provision of remuneration.						
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 7.2

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

Application	:	Departure								
Explanation on application of the practice	:									
Explanation for departure	:	<p>The Company is of the view that the disclosure of information other than as disclosed in the Annual Report 2018 is detrimental to the Company's management of its human resources due to the competitive environment for resources within the industries the Company and its subsidiaries operate in. While the Company has set policies and procedures in setting the remuneration of key personnel, such disclosure may also be misconstrued so as to hinder its recruitment and retention of personnel.</p> <p>The Company also believes that the non-disclosure of the information on key personnel and their remuneration will not affect the interest of its shareholders.</p> <p>As an alternative, the remuneration of its senior management personnel in the band of RM50,000 during the financial year ended 31 December 2018 are as follows: -</p> <table border="1"> <thead> <tr> <th>Range</th> <th>No. of personnel</th> </tr> </thead> <tbody> <tr> <td>RM100,001-RM150,000</td> <td>1</td> </tr> <tr> <td>RM300,001-RM350,000</td> <td>1</td> </tr> <tr> <td>RM400,001-RM450,000</td> <td>1</td> </tr> </tbody> </table> <p>As at 31 December 2018, the Company has less than 5 Senior Management personnel.</p> <p>As certain senior management personnel joined the Group during the financial year, the above table has included the remuneration of these personnel from the date of their appointment.</p>	Range	No. of personnel	RM100,001-RM150,000	1	RM300,001-RM350,000	1	RM400,001-RM450,000	1
Range	No. of personnel									
RM100,001-RM150,000	1									
RM300,001-RM350,000	1									
RM400,001-RM450,000	1									
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>										
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.								
Timeframe	:	Choose an item.								

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	:	The Chairman of the Board is Tan Sri Datuk Yong Poh Kon while the Chairman of the Audit Committee is Mr. Chin Yoong Kheong.	
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	:	Applied	
Explanation on application of the practice	:	The Nomination and Remuneration Committee has adopted a policy that any Director who was a former key audit partner shall be subjected to two (2)-year cooling-off period before being appointed as member of Audit Committee.	
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 duties of the Audit Committee to assess the external auditors are included in its term of reference which is available on www.ayer.com.my.</p> <p>The Audit Committee duties, amongst others, include: -</p> <ol style="list-style-type: none">1. recommendation of the nomination of a person and persons as external auditors and to review the re-appointment and or resignation of the external auditor, the scope and general extent of the external auditors' audit examination and ensure co-ordination between the internal and external auditors. The external auditors' fee is arranged and reviewed by the Audit Committee;2. review the following and report the same to the Board: -<ul style="list-style-type: none">• the audit plan, the evaluation of the internal control systems and the audit report with the external auditors; and• the assistance given by the employees of the Group to the external auditors. <p>The Audit Committee's assessment on the external auditors during the financial year are described in details in the Audit Committee Report of 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 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	:	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 8.5

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	:	The Audit Committee members undertook financial literacy test during the financial year ended 31 December 2018 to evaluate the member's understanding and areas of improvement. The Nomination and Remuneration Committee, after reviewing the results of questionnaire, resolved that the Audit Committee members are financially literate and able to understand all financial matters relating to the Group.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has established a framework to formulate and review risk management policies and risk strategies. The Board Risk Committee is responsible for setting the direction and approach on all strategic and policy matters in relation to risk management. The Management Risk Committee which comprises senior management of the Group, i.e. the Assistant General Manager, Legal and Group Risk (assuming the role of Chief Risk Officer), GCOO, CFO, and Divisional Heads will report to the Board Risk Committee in identifying, monitoring and managing the risks.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised a risk management framework that prescribes a structured and integrated approach in managing the key business risks with the aim of safeguarding shareholders' interests and the Group's assets. The key aspects of the risk management framework are:</p> <ul style="list-style-type: none">• Generally, the Board is accountable for the Group's overall risk profile and has delegated the oversight of the risk management function to the Board Risk Committee ("BRC"). The BRC is led by an Independent Non-Executive Director. The BRC is responsible for setting the direction on all strategic and policy matters in relation to risk management within the Group. In addition, the BRC shall also provide guidance on the development of appropriate and effective risk response strategies and contingency plans as well as monitoring the overall risk profile and risk tolerance within the Group.• A Management Risk Committee ("MRC") is established and led by the Assistant General Manager, Legal & Group Risk. Other MRC members comprise the Group Chief Operating Officer ("GCOO"), Chief Financial Officer ("CFO") and Division Heads. The MRC is responsible for identifying, monitoring and managing any such potential and existing risks within the Group. The Assistant General Manager, Legal & Group Risk is responsible for the risk management process to identify, evaluate, monitor and manage significant risks that the Group faces in its business and operations.• The likelihood of occurrence and magnitude of the impact of such risks are determined based on an established risk matrix table.• The risk management assessment reviews are performed periodically to identify, assess and manage the risks faced by the Group. The reviews are carried out to address major risk areas of concern, if any, from the perspective of corporate governance, regulatory, operational, financial, product and services, as well as human capital.• All record of information about identified risks is captured in a risk register.

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	:	The Group has outsourced its internal audit function to Axcelasia Columbus Sdn Bhd ("Internal Auditors"). The Internal Auditors report directly to the Audit Committee periodically on its assessment of reviews covering the financial, operational and compliance controls as well as risk management process.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is outsourced to Axcelasia Columbus Sdn Bhd (“Internal Auditors), a professional internal audit services firm with the objective of assisting the Audit Committee in the discharge of its duties and responsibilities.</p> <p>The Internal Auditors report directly to the Audit Committee and its roles are to independently review the internal control system established by the management, its adequacy and effectiveness vis-à-vis the objectives set and to make appropriate recommendations for further improvement. The Internal Auditors will present its yearly Internal Audit Plan, which includes the scope and functions of the internal audit for consideration and approval by the Audit Committee. The Internal Auditors adopt risk-based internal audit methodology, and guided by The Institute of Internal Auditors’ International Professional Practices Framework.</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 is committed to provide shareholders and investors with accurate, useful and timely information about the Company's businesses and activities.</p> <p>Shareholders will receive regular communication from the Company through the release of quarterly reports to Bursa Malaysia Securities Berhad and annual reports.</p> <p>In addition, the Company will communicate other information to the shareholders by way of press releases or announcement to Bursa Malaysia Securities Berhad as and when necessary.</p> <p>The Company's website at www.ayer.com.my has an Investor Relations section to ensure shareholders and investors are provided with sufficient information on a timely basis to make informed investment decisions.</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 Company is not a Large Company as defined by the Malaysian Code on Corporate Governance 2017.
		The Company will consider adopting integrated reporting if the Directors opined that benefits of the adoption outweigh the cost.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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	:	The Notice for forthcoming Annual General Meeting shall be given at least 28 days prior to the meeting.	
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	:	The shareholders of the Company are encouraged and are given the opportunity during the Annual General Meeting to raise questions regarding the operations of the Group. This is the main forum for a dialogue between the Company and its shareholders where shareholders' concerns may be conveyed to the Board. The Company will ensure that all Board members, the chairs of the committees, the Management team, the Company's External Auditors and advisors are available to respond to shareholders questions during the Annual General Meeting and other general meetings.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	Shareholders are entitled to appoint representatives or proxy/proxies/Chairman to vote on their behalf in their absence. The Company's General Meetings has always been held at a venue which is easily accessible. The forthcoming Annual General Meeting will be held at a subsidiary's sales gallery at Bandar Bukit Puchong, Selangor.	
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	:		

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

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

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