

# Governance

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## **COMMITTED TO THE HIGHEST STANDARDS**

Responsibility for good governance lies with the Board. The Board is accountable to shareholders and is committed to the highest standards of corporate governance as set out in the Malaysia Code on Corporate Governance (“the Code”). This Corporate Governance Overview Statement describes how the Board has applied the main practices of good governance, as set out in the Code, during the year under review.

## **BOARD COMPOSITION AND SUCCESSION**

The Board is made up of eight (8) members, comprising the Group Chair, the Group Executive Deputy Chair, the Group Managing Director, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The age of our Board members ranges from 44 to 74 years. The current Directors bring a wide range of business and financial experience, skills and knowledge necessary for the effective stewardship of the Group. Profiles of the Directors are set out on pages 59 to 65 of this Annual Report.

## **HOW WE GOVERN THE COMPANY**

The Board leads the Group’s governance framework; it is responsible for setting the strategic targets for the Group, monitoring progress made, approving proposed actions and for ensuring that the appropriate internal controls are in place and that they are operating effectively.

The Board is assisted by four (4) principal committees (Audit, Nomination, Remuneration and Risk Management), each of which is responsible for reviewing and dealing with matters within its own terms of reference. At scheduled Board meetings, the minutes of all committee meetings are circulated. All the non-executive directors are members of all principal committees. The Chair of the Board is not a member of the Audit Committee, Nomination Committee or Remuneration Committee. Individual reports from each principal committee can be found on pages 81 to 91.

The roles and responsibilities of the Board and the Board Committees as well as the relationship with the management are clearly set out and with clear accountability.

## **BOARD COMPOSITION AND SUCCESSION** (continued)

Each of the Independent Non-Executive Directors is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each Independent Non-Executive Director brings their own senior level of experience, gained within their field.

Although the Group Chair, Dato' Ahmad Sebi Bakar, is also a major shareholder, the Board believes that the Group Chair has always acted and will continue to act at all times in the best interest of shareholders as a whole and will strive to protect and enhance the long-term shareholder values and the financial performance of the Group.

Succession planning for the Board is an on-going process to ensure the Board's continued effective performance through leadership continuity. The Board assesses the competencies and composition of the Board taking into consideration the challenges faced by the businesses of the Group and also assesses the competencies of each existing director. Succession planning at executive management level is also being reviewed on an on-going process basis and at present is stable.

### **Diversity and gender balance**

The Board recognises diversity in the boardroom as a critical element for efficient functioning of the Board and good governance practices. The Board also believes that diversity leads to the consideration of all facets of an issue and, consequently, better decisions and performance. Hence, the appointment of Board members and senior management not

only takes into consideration the objective criteria and merit but also gives due regard for diversity in skills, experience, age, cultural background and gender.

The Board has included gender balance as one of the main criteria for appointment of new directors to promote the representation of women in the composition of the Board. Currently, we have four (4) women directors representing 50% of the Board of eight (8) members.

The remuneration for all Directors including Executive Directors is determined at levels so as to ensure that the Company attracts and retains the right calibre of Directors needed for the successful performance of the Group. The Remuneration Committee Report is set out on pages 89 to 91.

## **LEADERSHIP AND RESPONSIBILITIES**

The Board is committed to ensuring that it provides leadership to the business as a whole, having regards to the interests and views of its shareholders and other stakeholders. It is also responsible for setting the Group's strategy, value and standards.

The Board has a formal schedule of matters reserved for its decision as follows:

- Strategy and management
- Communication
- Board membership and other appointments
- Remuneration
- Financial reporting and controls
- Delegation of authority
- Internal controls
- Corporate governance matters
- Contracts/acquisitions/disposal
- Dividend Policy
- Capital structure
- Other matters

## LEADERSHIP AND RESPONSIBILITIES

(continued)

The Board together with the Management take responsibility for the governance of sustainability in the Group which may include setting the Group's sustainability strategies, priorities and targets. Material sustainability issues, considerations, risks and opportunities of the Group are set out in the Sustainability Statement on pages 24 to 43 of this Annual Report.

The Board also acknowledges its overall responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders' investments, the Company's assets, and the need to review the adequacy and integrity of these systems regularly. The effectiveness of the Group's risk management and internal controls framework is reviewed periodically by the RMC and Audit Committee. The Risk Management and Audit Committee reports can be found on pages 44 to 55 and pages 81 to 83 respectively.

The presence of three (3) Independent Non-Executive Directors making up more than one-third (1/3) of the total number of Directors fulfills a pivotal role in ensuring that there is balance of power and authority. Although all the Directors have an equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully deliberated upon, and take into account the long term interests of the shareholders, employees, customers, suppliers and the many communities in which the Group conduct sits business. Together, their representations on the Board fairly reflect the investment of the minority shareholders of the Company and in addition carry sufficient weight for decision making.

## INDEPENDENCE OF DIRECTORS

The Board, through the Nomination Committee, evaluates the independence of its independent directors annually in accordance with the criteria as prescribed by the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Independent Directors are required to affirm their commitment to bring independent and objective judgement upon their appointments and annually thereafter.

During the financial year ended 31 December 2021, the Board, through the Nomination Committee, has conducted such assessment on all the Independent Directors and each Independent Director has confirmed his/her independence to the Nomination Committee. Based on the said assessment, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company during deliberation at meetings of the Board and Committees.

The Code stipulates that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to re-designation as a Non-Independent Director.

That notwithstanding, the Nomination Committee is tasked by the Code, to assess and assist the Board in recommending and providing justification for shareholders' consideration and approval in the event such an Independent Director is to remain independent after serving a cumulative nine-year term.

**INDEPENDENCE OF DIRECTORS**

(continued)

The shareholders of the Company had at the 97th Annual General Meeting (“AGM”) which was held on 30 June 2021 approved to retain Mr Yong Teck Ming as an Independent Non-Executive Director of the Company beyond the twelfth (12th) year through a two-tier voting process (i.e. approval by controlling and non-controlling shareholders). Mr Yong Teck Ming has served more than fourteen (14) years as an Independent Non-Executive Director of the Company since his appointment to the Board on 9 July 2007.

On 25 February 2022, the Nomination Committee resolved that during Mr Yong Teck Ming’s long service to the Company, his performance as an Independent Non-Executive Director was excellent and there is no reason to believe that he will not continue to act independently and to contribute to the Company taking into consideration the following:

- (a) he has fulfilled the Independent Director criteria under the Listing Requirements of Bursa Securities and thus is able to function as a check and balance and to bring an element of objectivity to the Board;
- (b) he is a member of the Institute of Chartered Accountants, Australia, New Zealand and a member of the Chartered Governance Institute (previously known as Institute of Chartered Secretaries and Administrators, United Kingdom). He has vast experience in accounting and diverse range of business which will enable him to provide the Board with constructive opinion;
- (c) he has been with the Company for more than fourteen (14) years and is familiar with the Company’s business operations which will enable him to contribute actively and effectively during deliberation at meetings of the Board and Board Committees;
- (d) he has exercised his objective and independent judgement on all Board deliberations;
- (e) he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making;
- (f) he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and
- (g) he has been providing invaluable contributions to the Board in his role as an Independent Non-Executive Director and Chair of the Audit Committee. He also served as Chair of the RMC until 1 August 2021.

In view of the above, the Nomination Committee recommended to the Board that a resolution for the retention of Mr Yong Teck Ming as an Independent Non-Executive Director of the Company be tabled for shareholders’ approval to be obtained through a two-tier voting process at the forthcoming 98th AGM of the Company. The Board is unanimous in supporting this recommendation.

## SUFFICIENT PROVISIONS

The Company recognises that its Directors may be invited to become directors of other companies and the Directors are therefore at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Group and do not adversely affect the Directors' performance as a member of the Board. In maintaining and monitoring the limitation on directorship as required by the Listing Requirements of Bursa Securities, the Directors upon appointment, and from time to time during their tenure, will notify the Company Secretary of their directorship in other companies for disclosure to the Board at Board meetings.

The Board is of the opinion that the provisions of the Companies Act 2016 ("Act") and Listing Requirements of Bursa Securities are sufficient to ensure adequate commitment given by the Directors to perform their duties without it being formally regulated.

To facilitate the Directors' time planning, a planned annual meeting calendar is prepared and circulated to them before the beginning of each year. It provides the scheduled dates for meetings of the Board and Board Committees as well as the AGM.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities and this is demonstrated by the attendance record of the Directors at the meetings of the Board and Board Committees for the financial year ended 31 December 2021 as set out below:

Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Dato' Ahmad Sebi Bakar	7 / 7	-	-	-	-
Anton Syazi Dato' Ahmad Sebi	7 / 7	-	-	-	-
Lee Su Nie	7 / 7	*5 / 5	-	-	*4 / 4
Puan Sri Datin Masri Khaw Abdullah	7 / 7	-	2 / 2	*2 / 2	-
Yong Teck Ming	7 / 7	5 / 5	-	-	**2 / 2
Rali Mohd Nor	7 / 7	5 / 5	2 / 2	2 / 2	*2 / 2 & **2 / 2
Aryati Sasya Dato' Ahmad Sebi	7 / 7	*5 / 5	-	2 / 2	4 / 4
Kam Kin Foong	7 / 7	5 / 5	2 / 2	2 / 2	4 / 4

\* Attended the meetings by invitation.

\*\* Mr Rali Mohd Nor was appointed as Chair of the RMC in place of Mr Yong Teck Ming with effect from 1 August 2021.

## CONTINUAL TRAINING FOR DIRECTORS

The Board acknowledges the importance of continual education and training to enhance its competencies, to broaden its perspectives, skills, knowledge and to keep abreast of the relevant changes in law, regulations and the business environment.

## **CONTINUAL TRAINING FOR DIRECTORS** (continued)

The Directors have been regularly updated on developments in corporate governance, relevant laws, regulations and business practices and attending relevant courses/seminar as a continuing effort to train and equip themselves to effectively discharge their duties. The Board also evaluates the training needs of its members on a continuous basis pursuant to the Listing Requirements of Bursa Securities and is updated on quarterly basis on the training programmes/courses/seminars attended by Directors.

## **INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

For corporate reporting to our shareholders and stakeholders, our Board ensures that information are complete and accurate and are disseminated in a timely manner. The Company has established a dedicated section for investor on its website. This section provides information relating to corporate governance, annual reports, announcements to Bursa Securities and Board Charter. Contact details are provided on the Company's website to address queries from its shareholders and stakeholders.

The Board acknowledges the importance of establishing a direct line of communication with shareholders and investors through timely dissemination of information on the Group's performance and operations via distribution of annual reports and relevant circulars, and release of quarterly financial results, press releases and announcements.

The AGM is the principal forum for dialogue with shareholders. There is an open 'question and answer' session in which shareholders may pose questions regarding the resolutions

being proposed at the meeting and also on matters relating to the Group's businesses and affairs.

The Board members are in attendance at general meetings to provide explanations to all shareholders' queries and shareholders are encouraged to participate in discussions and to give their views to the Directors. The Chair of the Audit, Nomination, Remuneration and Risk Management Committees are also in attendance to provide meaningful response to questions.

Service providers were engaged to provide secured facilities for our fully virtual 96th AGM in 2020 and 97th AGM in 2021, whereby shareholders participated in such meetings remotely, submitted their questions online and carried out the electronic voting using the remote participation and voting facilities. The forthcoming 98th AGM in 2022 will also be conducted in the same manner.

## **ACTIVITIES AND FOCUS OF THE BOARD DURING THE YEAR AND FOR THE COMING YEAR**

During the financial year ended 31 December 2021, seven (7) Board meetings were held where the Board deliberated upon and considered a variety of matters including the Group's corporate developments, financial results, investments, impact on the performance of various business units arising from the COVID-19 outbreak, short and long term plans to deal with such impact to the Group, frameworks, policies and procedures to enhance good governance systems and business behaviour, reports on risk management and internal audits of the Group. For Board meetings, the Directors receive complete meeting materials within a reasonable period prior to the meeting. All proceedings from the Board meetings are minuted and signed by the Chair of the meeting.



**ACTIVITIES AND FOCUS OF THE BOARD DURING THE YEAR AND FOR THE COMING YEAR** (continued)

The Board, through the Nomination Committee, also reviewed the training programmes attended by the Directors to keep abreast with the current developments in laws, regulations and business practices, management's proposal on changes to the composition of RMC and re-election of Directors as set out in the Nomination Committee Report on pages 84 to 88.

The Remuneration Committee met to review the annual fixed fee structure of members of the Board taking into consideration the increasing responsibilities and time commitment expected from the Directors and the remuneration packages of the Group Chair, Group Executive Deputy Chair, Group Managing Director and Chief Operating Officers of the Company and advised the Board accordingly.

During the financial year ended 31 December 2021, the Audit Committee met with the external auditors twice without the presence of the Executive Directors to discuss the audit plan, audit findings and the Company's audited financial statements.

The RMC assisted the Board in assessing the risk registers, key risk areas and internal controls to ensure that the Group Risk Management Framework was sufficiently robust in addressing and mitigating the various risks of the Group. This includes monitoring the impact of COVID-19 pandemic to the Group businesses and reviewing the risk registers to ensure the controls in place

as stated in the risk registers are executed accordingly by the management. Besides, the RMC also assisted the Board in the assessment of anti-bribery and anti-corruption risk and ensuring adequate processes are in place for monitoring of such risk as part of the Group risk management exercise.

The Board will continue with assessment, implementation and monitoring of strategies and plans that are in place for the turnaround and growth of the Group businesses, and pursuing measures to protect the Group's financial position for speedier recovery from the COVID-19 pandemic. This includes on-going assessment of the business risks, effectiveness of the governance, risk management frameworks and internal control systems as well as the material ESG issues against the changing business environment, stakeholder opinions, and emerging global and local trends to keep abreast of critical issues.

The Board has in February 2022 included in the Board Charter which is also available on the Company's website, the Fit and Proper Policy for Appointment and / or Re-appointment / Re-election of Director(s) of the Company which also applies to the appointment, re-appointment / re-election of Directors of the Group. The purpose of this Policy is to provide guidance to Nomination Committee and the Board of the Company and its subsidiary companies when conducting fit and proper assessment on candidates for new appointment and/or existing Directors standing for re-appointment / re-election to ensure that only individual of high calibre and who possesses the right blend of skills, expertise, track record and integrity are appointed and/or re-appointed.

*This report is to be read together with the Corporate Governance Report 2021 of the Company which is available on the Company's website. The Corporate Governance Report 2021 provides the details on how the Company has applied each practice as set out in the Code during the financial year 2021.*

# Audit Committee Report

Key objectives are the provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions, and the management of the Group's systems of internal control, business risks and related compliance activities.

## **COMPOSITION**

The Audit Committee comprises a Chair, and two (2) members, all of whom are independent non-executive directors duly appointed by the Board following recommendations by the Nomination Committee after the annual Board performance evaluation.

Each member of the Audit Committee brings an appropriate balance of senior level financial and commercial experience, combined with a good understanding of the Company's business and is therefore considered by the Board to be competent. Members of the Audit Committee also undertake ongoing training as required.

## **OBJECTIVES**

The Audit Committee's key objectives are the provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions, and the management of the Group's systems of internal control, business risks and related compliance activities.

## **TERMS OF REFERENCE ("TOR") OF AUDIT COMMITTEE**

The duties and functions of the Audit Committee are set out in its TOR under Schedule 1 of the Board Charter. The Board Charter is accessible via the Company's website at [www.asb.com.my](http://www.asb.com.my) by referring to the 'Corporate Governance' section under the 'Investors' section.



## MEETINGS AND ATTENDANCE

The Audit Committee met five (5) times during the year under review and members' attendance at the meetings is set out in the table below:

Name of Directors	Attended
<b>Yong Teck Ming</b> <i>Chair</i>	5 / 5
<b>Rali Mohd Nor</b> <i>Member</i>	5 / 5
<b>Kam Kin Foong</b> <i>Member</i>	5 / 5

## SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2021, the principal activities of the Audit Committee comprised:

### (a) Financial Reporting

- (i) Reviewed the quarterly unaudited financial results and turnaround plan for non-performing subsidiaries prior to tabling of the same to the Board for approval.
- (ii) Reviewed the draft announcements on quarterly and yearly unaudited financial results of the Group prior to tabling the same to the Board for approval.
- (iii) Reviewed the annual audited financial statements for the financial year ended 31 December 2020 prior to submission to the Board for approval.
- (iv) Reviewed the applicability of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.

### (b) Internal Audit

- (i) Reviewed and approved the objectives, adequacy and coverage of the internal audit ("IA") activities of the IA Plan for 2021 after taking into consideration the risk based approach based on the Group businesses and activities. A total of nine (9) IA assignments were approved for the 2021 IA Plan.
- (ii) Reviewed on a quarterly basis the IA reports and follow-up audits presented by the Internal Auditors (outsourced).
- (iii) Reviewed the resource requirements of the IA function.
- (iv) Reviewed a subsidiary's compliance on AML/CFT polices, process and procedures.

### (c) External Audit

- (i) Convened meetings with the external auditors on 3 March 2021 and 24 November 2021 without the presence of the management to review and deliberated on various matters including Directors' statement on risk management and internal control, audit planning memorandum, audit review memorandum and Audit Oversight Board Annual Inspection Report 2019 and the findings of the Audit Oversight Board of the Securities Commission in 2019 which entailed consideration for improvements or remedial action required in respect of the Company's audit. These audit memorandums include significant audit findings, auditing and accounting issues, fraud related matters, adequacy of management's response and other key matters arising from the statutory audit for the financial years ended 31 December 2019 and 2020.

**SUMMARY OF ACTIVITIES** (continued)**(c) External Audit** (continued)

(ii) Reviewed the audit fees payable to the external auditors.

(iii) Considered and recommended to the Board the re-appointment of external auditors.

**(d) Related Party Transactions and Recurrent Related Party Transactions**

Reviewed the Group's related party transactions and recurrent related party transactions as well as conflict of interest situations that may arise within the Company or the Group and to ensure that the transactions are conducted in the best interest of the Company, on fair and reasonable as well as on normal commercial terms and are not detrimental to the interest of the minority shareholders.

**(e) Audit Committee Report**

Reviewed the Audit Committee Report and recommended to the Board for inclusion in the Annual Report for the financial year ended 31 December 2020.

**(f) TOR**

Reviewed the TOR of Audit Committee and recommended to the Board to update the same under Schedule 1 of the Board Charter of the Company.

**INTERNAL AUDIT FUNCTION**

The Audit Committee has adopted a top-down, risk-based approach in the implementation and monitoring of internal controls of the

Group. This approach was achieved through critical in-depth review and deliberation of the reports and relevant issues presented during the Audit Committee meetings. This top-down, risk-based approach has enabled the Audit Committee to identify any major breakdown in the risk management and internal controls of the Group and to make the necessary recommendations to address the issues.

The Audit Committee is assisted by the Internal Auditors (outsourced) to provide an independent appraisal and assurance to ensure the maintaining of a sound system of internal control to safeguard shareholders' investment. The Internal Auditors conducts regular systematic reviews of the system of controls in accordance with the IA Plan approved by the Audit Committee and independently reports directly to the Audit Committee.

During the financial year ended 31 December 2021, the Internal Auditors carried out various operational, system and risk assessment reviews to review and appraise the effectiveness of the risk management and internal control processes within the Group. Follow-up audits were also performed by the Internal Auditors to ensure that audit recommendations and corrective action plans were implemented accordingly. A total of six (6) IA reports in relation to IA Plan for year 2021 were presented to the Audit Committee during the financial year ended 31 December 2021. The Internal Auditors also reviewed the related party transactions entered into by the Company and its subsidiaries to ensure that the transactions were carried out on an arm's length basis.

The costs incurred for the internal audit function of the Group in respect of the financial year ended 31 December 2021 was RM35,000.00.