

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7179
COMPANY NAME : D.B.E. GURNEY RESOURCES BERHAD
FINANCIAL YEAR : 31 December 2017

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	:	<ul style="list-style-type: none"> - The Board is responsible for the oversight and overall effective management of the Company. - The Board Charter formulated on 12 May 2014 formalises the duties and responsibilities of the Board, the Board Committees and Management. - The roles and responsibilities of the Board as set out in the Board Charter are clear and distinct from that of the Group Managing Director. - The Board has oversight on matters delegated to management. - The Board's principal responsibilities include reviewing and adopting strategic plans, overseeing conduct of business, risk management and implementation of internal control procedures. - The Board has delegated specific responsibilities to the following committees:- <ul style="list-style-type: none"> a) Audit Committee ("AC") b) Nomination Committee ("NC") c) Remuneration Committee ("RC") <p>The powers delegated to the committees are set out in the Terms of Reference of each committee.</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	:		
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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	:	<ul style="list-style-type: none"> - The roles and responsibilities of the Chairman of the Board has been clearly specified in the Board Charter. - The Chairman, Dato' Ding Chong Chow, is an executive director and is primarily responsible for matters pertaining to the Board and the overall conduct of the Company. - The responsibility of the Chairman is clearly stated in the Board Charter and includes the following:- <ul style="list-style-type: none"> (i) leads the Board and ensure its effectiveness in all aspects of its role; (ii) ensure efficient organisation and conduct of the Board's function and meetings; (iii) ensure that the Board is well informed and effective and all Board members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board; (iv) encourage all Board members to engage in board and committee meetings by drawing on their skills, experience and knowledge; (v) promote constructive and respectful relations among Directors and between the Board and Management; (vi) leads the Board in establishing, monitoring and achieving good corporate governance practices.
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, Dato' Ding Chong Chow and the Group Managing Director, Dato' Ding Seng Huat, both hold separate position and their roles and responsibilities, governed by the Board Charter, are clearly distinct to promote accountability and enhance the balance of power and authority.</p> <p>The Group Managing Director oversees the day to day operation and management of the Group and implements the decisions and policies of the Board whilst the Chairman leads the Board in the oversight of management.</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>Both company secretaries of the Company graduated with professional qualification from the Institute of Chartered Secretaries and Administrators (ICSA) and qualified under Section 235(2) of the Companies Act, 2016.</p> <p>The Company Secretaries have experienced in all secretarial matters including advising on sound corporate governance practices, updates on directors' responsibilities, regulatory rules, codes, statutes and listing requirements.</p> <p>The Company Secretary attends all board and committee meetings and assists the Chairman to ensure the proper conduct of meeting procedures as well as the correct recording and upkeep of minutes.</p> <p>The Company Secretaries undertake continuous professional development to keep abreast of the latest developments of regulatory rules and listing requirements.</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

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	:	<ul style="list-style-type: none"> - To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The notification provides the Directors with scheduled dates of meetings of the Board, Board Committees and the Annual General Meeting. - The Directors are provided with meeting materials which are complete and accurate at least five (5) days in advance of the meeting to ensure the Directors have sufficient time and information to make informed decisions at the meeting. - The deliberations and decisions at Board and Board Committees meetings are documented, including matters where member(s) abstained or voted against the resolution. - The minutes of meetings are prepared by the Company Secretary, signed off by the Chairman as an accurate reflection of the Board's or Committee's deliberation and distributed to all directors/members within a reasonable timeframe.
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	:	<ul style="list-style-type: none"> - The Board Charter was adopted by the Board in May 2014. - The Board Charter clearly identifies the respective roles and responsibilities of the Board, Board Committees, individual director and management. - The Board Charter will be periodically reviewed and updated, whenever necessary. - The Board Charter is published on DBE's website: www.dbegurney.com 	
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	:	<ul style="list-style-type: none"> - The Code of Conduct was adopted by the Company in May 2014 to help the Company's employees to make the right choices and to act appropriately in response to ethical behaviour in the work place. The Code of Conduct applies to the Board, management and all employees. - The Code of Conduct covers the following areas:- <ul style="list-style-type: none"> (a) business conduct; (b) conflict of interest; (c) compliance of laws and regulations; (d) disclosure and communications; (e) implementation and enforcement. - The Code of Conduct is extensive but not exhaustive and the Group expects employees to exercise good judgements in their decision making to ensure adherence to highest conduct and ethical standards in the working environment. - The Code of Conduct is published on DBE's website: www.dbegurney.com
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	:	

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> - DBE has a whistleblowing policy in place to provide an accessible avenue to its employees and the general public to report matters about malpractice or improper conduct within the organization and explains how DBE will respond. It also gives assurance that all concerns raised will be taken seriously. - The policy will be reviewed from time to time to ensure effectiveness. - A whistleblower acting in good faith will be assured of non-retaliation, harassment or victimisation. All concern raised will be treated in strict confidence. - The whistleblowing policy is available on DBE’s website: www.dbegurney.com
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	:	<ul style="list-style-type: none">- The Board currently has eight (8) members, of which three (3) are independent and non-executive. The Board believes the current board composition has an appropriate mix of skills, expertise and experience, which will contribute towards the growth of the Company.- The Board has deliberated on Practice 4.1 and was of the view that half of the current Board members are non-executive directors whom are not involved in the day to day operation of the Group's business of which three are independent directors, the Board is confident that it is able to exercise and discharge its duties and judgement on the overall business decision and corporate affairs of the Group objectively.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied
Explanation on application of the practice	:	None of the tenure of the independent directors exceeded a cumulative term limit of nine years.
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	:	<ul style="list-style-type: none"> - The Board and the Nomination and Remuneration Committees take into account the current mix of skills, experience, expertise, core competencies, age and cultural background of the existing Board when seeking potential candidates. - This practice applicable at board level, is extended and applied at senior management level too. - The Board recognises a diverse board and management can lead to greater depth and breadth in decision making. 	
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	:	<ul style="list-style-type: none"> - Currently the Board does not have any policy on gender diversity. - The Board believes that experience, skills, knowledge and insight are essential criteria in the selection of Board members. - Nevertheless, the Board acknowledged the merits of gender diversity towards the performance of the Board. - The Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board. The Nomination Committee will, however, continue to take steps to ensure suitable women candidates are sought as part of its recruitment exercise. 	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:	N/A	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	The Board would always consider the services of professional firms, recruitment agencies or referrals from external sources to identify and recommend suitable directors for appointment.
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	:	<ul style="list-style-type: none"> - The Nomination Committee oversees matters relating to the nomination of new directors, annual review of the required mix of skills, experience and other requisite qualities of directors. It is also involved in the annual assessment of the effectiveness of the board as a whole. - The Chairman is an independent director and members of the Nomination Committee are exclusively 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

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 Board assesses the performance of the directors and the board as a whole and Board Committees, through an individual directors' self-assessment appraisal form where directors are evaluated on their ideas contribution, governance, integrity, communication, team-work and decision making competencies yearly. This process and the related outcomes shall be made more transparent in the coming financial year.</p> <p>Where necessary, the Board would also consider the services of external independent experts to provide these assessments and facilitate objective evaluations of board members.</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	:	N/A

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's and the Group's remuneration scheme is linked to performance, service seniority, experience and scope of responsibilities. The Remuneration Committee meets at least twice yearly to ascertain and approve remuneration and other benefits of the directors and senior management in accordance to Company's policy guidelines and with reference to external industrial benchmark reports. Individual directors abstain from the approval of their own fees and benefits.</p> <p>The directors' fees and other benefits payable to the directors are also discussed and tabled at the Annual General Meeting and subject to shareholders' approval.</p> <p>The Group's remuneration policy is not available on the Company's website as the Remuneration Committee is currently in the progress of reviewing the remuneration policies and procedures through a transparent and independent process.</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

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	:	<ul style="list-style-type: none"> - The Remuneration Committee ("RC") consists of a majority of independent non-executive directors. - The Committee evaluates the remuneration package of executive and non-executive board members and recommends these packages for the Board's approval. - Non-executive directors' fees are determined by the Board as a whole, and the concerned director abstaining from deliberations and voting on decisions in respect of his fee. - The terms of reference of the RC is published on DBE's website: www.dbegurney.com - The Remuneration Committee is currently in the progress of reviewing the remuneration policies and procedures through a transparent and independent process.
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

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure of each director's remuneration on named basis is disclosed in the Corporate Governance Statement of the Company's Annual Report 2017.
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	:	The Board is in a view that such disclosure will give rise to recruitment and talent retention issues.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will decide to disclose senior management's remuneration in bands width of RM50,000.00 in the next financial year. This policy is in line with best management practice of ensuring confidentiality of the remuneration of all employees.
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 7.3 - 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 Company had on 16.1.2018 appointed YM Raja Azlan Shah bin Raja Azwa, an independent non-executive director as the Chairman of the Audit Committee. The Chairman of the Board is Dato' Ding Chong Chow.
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	:	No former key audit partners of the previous and present external auditors have been appointed to the Board of Directors of the Company or employed by 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

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") meets at least twice a year with the external auditors without the presence of any executive directors and management of the Company and of the Group to deliberate on the audit plans, summaries of findings and any other matters directly affecting the Company and the Group. The AC reviews and assesses the performance, competency, professionalism and independence of the external auditor and if satisfactory, recommends for re-appointment to the Board, who will then seek shareholders' approval at the Company's Annual General Meeting.</p> <p>Yearly, the AC also receives assurance from the external auditors on their independence in carrying out their audit works.</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	:	Applied
Explanation on adoption of the practice	:	All 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 Chairman and all members of the Audit Committee are financially literate, with the Chairman being a member of The Malaysian Institute of Certified Public Accountants. The Audit Committee has assisted the Board of Directors in discharging its duties and responsibilities relating to the Group's risk management, internal controls, financial reporting and compliance of statutory requirements.</p> <p>The Audit Committee members have regularly attended relevant training programmes organized by Bursa Malaysia to stay updated on the latest developments in financial reporting, practices, rules and other related matters for Audit Committee of listed issuers.</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

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has always place great importance and emphasis on good internal control and effective risk management to safe guard the Group's assets and shareholders' investment.</p> <p>The Board affirmed its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of the system. The system of internal control covers governance, risk management, strategy, operations, regulatory compliance and financial matters.</p> <p>The system is designed to manage and minimise rather than eliminate risks. The system provides reasonable rather than absolute assurance against the occurrence of any misstatement, loss or fraud.</p> <p>The Group has established a risk management framework for managing risks affecting its business and operations. The implementation of a more effective risk management framework and internal control systems will be operated within the Group by qualified outsourced internal auditors and supported by Management throughout the next financial year.</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

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	:	
Explanation for departure	:	<p>The Company issues a Statement on Risk Management and Internal Control that highlights the features and key elements of the risk management and internal control framework of the Group in its Annual Report.</p> <p>Currently, the Board oversees the risk management function through the Risk Management Committee ("RMC"). The RMC reviews and monitors quarterly on the operational and financial risk management within the Group. To strengthen its risk management function, the Board has appointed external consultants in 2018 to put in place an Enterprise Risk Management framework ("ERM") to place a more structured process for identification, assessment, monitoring and communication of risks and effectiveness of risk mitigation strategies at all level of operations and also report the principal business risks faced by the Group on an ongoing basis.</p>
<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

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	:	Partially Adopted
Explanation on adoption of the practice	:	<ul style="list-style-type: none">- Presently, the Risk Management Committee ("RMC") comprises majority of management personnel overseeing and managing the operational risks.- However, the Audit Committee ("AC") which constitutes all independent directors will oversee the RMC's functions, risk management framework and policies and plan mitigation actions from 2018 onwards.- The Chairman of the AC is an independent non-executive director.- The RMC will guide the independent directors through the operations of the Group.

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 Group has in place an Internal Audit function that reports directly to the Audit Committee at least twice a year to ensure its independent status within the Group and provides the Committee with objective reports on the state of internal controls within the Group. The Internal Audit also carries out ad-hoc audit assignments under the direction of the Audit Committee, if necessary.</p> <p>The Group has outsourced the internal audit function to an independent consulting firm. The Audit Committee assesses the performance of the Internal Auditors yearly and reports to the Board of Directors on the adequacy and relevance of the scope, functions, competency, authority and resources of the internal audit function to carry out its work.</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

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 of the Group carries out its activities in accordance with recognised internal auditing standards covering the conduct of audit planning, execution, documentation and communication of findings. It is also guided by the principals set up under the Group’s Risk Management and Internal Control framework.</p> <p>The outsourced Internal Audit (“IA”) personnel had confirmed that they are free from any relationships or conflict of interest.</p> <p>During the financial year, the Group outsourced its internal audit function to NGL Tricor Governance Sdn Bhd, an independent consulting firm headed by Mr Chang Ming Chew. The IA reports functionally and independently to the Audit Committee.</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	:	<ul style="list-style-type: none"> - DBE is committed to engage and communicate with its stakeholders to facilitate mutual understanding and trust between the company and its stakeholders by providing information that are consistent, accurate, transparent and timely. - The annual reports, quarterly results and any announcement on material corporate exercise are the primary mode of dissemination of information on the Group's business and financial performance. - The Group Managing Director is the designated spokesperson for all matters related to the Group. - The Group maintains a website at www.dbegurney.com for shareholders and the general public to access information on, amongst other, the Group's background and products and financial performance. - The stakeholders are encouraged to channel their concerns to the Company with details in the Corporate Information page of the 2017 Annual Report. - The Board regards the Annual General Meeting (AGM) and other general meetings as an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue.
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 considered a "large company" as defined in the Malaysian Code of Corporate Governance 2017.	
	:		
<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	:	<ul style="list-style-type: none"> - DBE dispatches the notice of its Annual General Meeting (“AGM”) to its shareholders at least 28 days before the AGM, longer than the time frame of 21 days under the Companies Act, 2016 and the Main Market Listing Requirements. - The Notice of AGM was released on 30 April 2018 via Bursa Malaysia Securities Berhad and published in at least one(1) major newspaper in circulation in Malaysia, which is 30 days’ notice prior to the AGM to be held on 28 May 2018. - The additional time given will enable the shareholders to make the necessary arrangement to attend in person or through proxies, corporate representatives or attorneys. The notes on the notice of AGM also provide detailed information on the resolutions proposed to enable shareholders to make informed decisions in exercising their voting rights.
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	:	<p>At the Extraordinary General Meeting (“EGM”) of the Company recently held on 16 April 2018, all the directors attended the EGM. Besides them, the management and corporate advisors were also in attendance to response to any queries.</p> <p>The Group Managing Director who was appointed as Chairman of the Meeting briefed at the EGM on the related issues under the agendas and together with the Executive Director, they were able to provide meaningful responses to questions raised by shareholders.</p> <p>Barring any unforeseen circumstances, the directors have also confirmed their attendances at the forthcoming Annual General Meeting to be held on 28 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

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	:	<p>The Company does not have a large number of shareholders nor does it hold its General Meetings at remote locations. Shareholders are entitled to appoint not more than 2 proxies or the Chairman to vote on their behalf at the General Meetings.</p> <p>Since the previous Annual General Meeting, the Company's resolutions set out in the Notice of Annual General Meeting were put to a vote by poll, the results validated and presented to the shareholders. This same practice was prevailed at the recent Extraordinary General Meeting held on 16 April 2018 and will also prevail at the forthcoming Annual General Meeting of the Company.</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	:	

**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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