

CORPORATE GOVERNANCE REPORT

STOCK CODE : 9377
COMPANY NAME : FSBM HOLDINGS BERHAD
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("the Board") of FSBM Holdings Berhad assumes the overall responsibilities to lead and oversee the performance and effective control of the Company and the Group towards achieving the desired goals and objectives while meeting its obligations to its shareholders and other stakeholders.</p> <p>The Directors have at all times exercised their powers for the purpose they are conferred, for the benefit and best interest of the Company, shareholders and stakeholders.</p> <p>The principal roles and responsibilities of the Board are:</p> <ol style="list-style-type: none">1. Formulating strategic plan, determining direction, financial objectives and significant policies for the Company and Group;2. Monitoring and guiding the implementation of the strategy and the achievement of objectives;3. Overseeing the conduct of the business and performance of the Company and Group;4. Ensuring there are adequate resources to meet the Company's and the Group's strategic goals and objectives;5. Reviewing, adopting and approving Management's proposals put forwards to the Board amongst others, operational plans, annual operational budgets, key operational initiatives, major capital expenditures and corporate exercises;6. Approving the authority and responsibilities delegated to Management;7. Monitoring and approving financial and other reporting matters;8. Evaluating the performance of the Board, its Committees, individual Directors and Management; and setting their remuneration;9. Overseeing the business conduct and code of ethics of the Group to ensure a high standard of corporate governance and social responsibility;

10. Ensuring the risk management framework is operating effectively;
11. Responsible for corporate sustainability;
12. Responsible for succession planning within the Group; and
13. Overseeing the development and implementation of the shareholders communication policy, and reporting to shareholders and ensuring accountability to all stakeholders.

The following responsibilities are delegated to the Senior Management:

- implementation of strategies as approved by the Board from time to time;
- financial performance; and
- operational activities.

The Board has established the following committees to assist it in the execution of specific responsibilities:

- i) Audit Committee
- ii) Nomination Committee
- iii) Remuneration Committee
- iv) Risk Monitoring Committee
- v) Executive Council Committee (“Exco”)

The Board ensures that all Committees are provided with sufficient resources to undertake their duties. All the Committees, except the Exco, are operating under clearly defined Terms of Reference and scope of work. The Exco was established to formalise the decision making process for managing the Company’s regular business activities. The Committees report directly to the Board.

The ultimate responsibility for the final decision on all matters lies with the Board. Key matters reserved for Board’s deliberation and approval including but not limited to strategic plans, annual budgets, resources allocation, capital management, major capital expenditure, major acquisitions/disposals, investments and new businesses/projects, material agreements, corporate exercises, annual and quarterly financial results, succession planning and remuneration, control structure (such as key policies, procedures, and authority limits), risk management framework, ethical standards and corporate governance standards, and shareholders relation.

In discharging the responsibilities on overseeing the management and control of the business and affairs of the Company and Group vested in the Board, the operating procedures of the Board are described below:

- The Board is chaired by Dato’ Ir Dr Abdul Rahim Bin Daud who is a Senior Independent Non-Executive Chairman. The Chairman is responsible for ensuring Board effectiveness and proper conduct.
- The Managing Director, namely Dato’ Tan Hock San @ Tan Hock Ming is primarily responsible for managing the Company and the Group operations and resources, whilst the Executive Directors

	<p>have the overall responsibilities on the day-to-day activities of the Group's business units, organisational effectiveness and implementation of Board's policies and decisions.</p> <ul style="list-style-type: none"> ▪ The presence of Independent Non-Executive Directors provides a good complementing role to ensure a balance of power and authority. The role of Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined as they provide unbiased and independent views, advice and judgment to take into account of the interests of the Group, shareholders, stakeholders and communities in which the Group conducts business. ▪ The Board receives reports from the Board Committees and Executive Council Committee (Exco). Business updates and briefing are given by the Managing Director at each Board meeting. ▪ The Board meets at least once in every quarter with additional meetings to be convened as and when necessary. Urgent matters that require Board's review are also frequently discussed via electronic mail or through informal discussions and all decisions are confirmed by way of circular resolutions. All Board members has demonstrated high commitment in terms of time and knowledge contribution with full attendance at Board Meetings. The Directors' attendance at Board and Board Committee meetings are stated in page 16 of the Annual Report. <p>At present, the Board's key area of focus is to strengthen the Group's core business activities by pursuing potential projects and to bring the Group back to the right track.</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	:	<p>The Board of Directors of FSBM Holdings Berhad is led by a Senior Independent Non-Executive Chairman, namely Dato' Ir Dr Abdul Rahim Bin Daud.</p> <p>The responsibilities of the Chairman include:</p> <ul style="list-style-type: none">(a) Leading the Board and ensuring efficient organisation and conduct of the Board's function;(b) Ensuring positive culture and good corporate governance are practised within the Board, the Company and Group;(c) Promoting constructive relationships between Directors, and between the Board and Management;(d) Being the primary point of contact between the Board members and the Managing Director and providing support, advice and counsel to the Managing Director and Board members;(e) Leading the performance evaluation of the Board, its committees and of individual Directors; and counseling Board members on areas require improvement;(f) Leading and chair the Board meetings and acting as facilitator to ensure that no Directors dominate discussion, that appropriate discussions take place and relevant opinion among directors is forthcoming;(g) Leading and chair general meetings of shareholders and ensuring open communication between shareholders and the Board members; and(h) Representing the Board in communicating with relevant stakeholders on significant issues; ensuring appropriate steps are taken to provide effective communication with shareholders and stakeholders and that their views are communicated to the Board as a whole.
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 Board is chaired by Dato' Ir Dr Abdul Rahim Bin Daud who is a Senior Independent Non-Executive Chairman. The Group does not appoint a CEO. Rather the operations of the Group is led by the Managing Director, namely Dato' Tan Hock San @ Tan Hock Ming.</p> <p>The Chairman is responsible for the leadership of the Board and ensuring its effective running. He leads the Board in its collective oversight of the management and overall performance of the Company and Group. The Managing Director has delegated authority from the Board and is responsible for managing the business operations of the Company and Group. The day-to-day running of the Company and Group is managed by the Executive Council Committee which is chaired by the Managing Director.</p> <p>The positions of Chairman and Managing Director are being held by difference individuals with clear division of duties and responsibilities, combined with the presence of the Independent Directors who provide a complementing role has ensured a balance of power and authority, and good corporate governance in safeguarding the interest of the shareholders.</p> <p>The responsibilities of the Managing Director are further illustrated below:</p> <ol style="list-style-type: none">1. Managing the Company and Group's operations and resources.2. Proposing strategic plans/business plans/proposals for adoption by the Board.3. Ensuring that Board's decisions are implemented.4. Ensuring the Company and Group's vision, management philosophy and business strategy are effectively understood and applied by management and employees.5. Providing strong leadership to lead the Management Team.6. Ensuring the establishment of a clear management structure with appropriately delegated responsibilities.

	7. Ensuring proper financial and business control is exercised within the Company and Group.
	8. Ensuring a proper Risk Management Framework is in operation.
	9. Keeping the Board fully informed of all important aspects of the Company and Group's operations.
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 Company Secretary of the Group is qualified to act as Company Secretary under Section 235 of the Companies Act, 2016. She is a Chartered Secretary and is an associate of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>The Company Secretary and her team continuously keep themselves abreast of the changing regulatory environment as well as development in corporate governance through attendance at relevant professional development programs and conferences.</p> <p>The Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board.</p> <p>The Directors have full access to the services of the Company Secretary. She provides secretarial support to the Board and Board Committees and plays an advisory role to ensure the Board complies with relevant regulations, laws and Bursa's Listing Requirements. She assists the Board in applying the best practices of the Malaysian Code on Corporate Governance (MCCG). She also provides effective support to the Board and Board Committees to facilitate their discussion and proceedings of Board and Board Committees meetings and ensure that deliberations are well documented.</p> <p>The Board has reviewed the fitness and propriety of the Company Secretary and it is satisfied with the performance and services rendered by the Company Secretary.</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 annual meeting calendar for Board and Board Committees meetings as well as Annual General Meeting are prepared in advance and tabled to the Board for approval. The annual meeting calendar facilitates Directors in their time planning and to ensure the Board and Board Committees meetings are respectively attended by all Directors and Board Committees members.</p> <p>The formal Notice of Board and Board Committees meetings are circulated to the Directors and Board Committees members via electronic mail at least seven (7) days prior to the meeting.</p> <p>Discussion papers particularly the financial results are circulated via electronic mail to the Board and Board Committees for their comment before the papers are finalised. Upon finalisation, the comprehensive papers and reports regarding matters under consideration are circulated to the Board and Board Committees respectively prior to the meeting to provide them with ample time to peruse the papers and reports to facilitate discussion and decision at the meeting. Directors may seek independent professional advice on the subject matter at the Company's expense if deemed necessary.</p> <p>The meeting proceedings, matters presented and reported at the Board and Board Committees meetings, the discussions and comments, and how a decision is reached are recorded by the Company Secretary. After the meeting, the Company Secretary circulates the draft minutes to the respective Board and Board Committees for their review and comments to ensure the minutes accurately reflect the deliberations and decisions of the Board and Board Committees. The minutes are tabled and confirmed at the next meeting. The Company Secretary ensures that all minutes and meeting materials are properly kept to ease future reference.</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

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 is guided by the Board Charter in discharging its duties and fiduciary obligation to the Company and Group. It encapsulates the Company's frameworks and practices, and is in compliance with the Company's Constitution, the Listing Requirements, and in line with the practices of the Malaysian Code on Corporate Governance.</p> <p>The purpose of the Board Charter is to ensure the Board members are aware of their respective roles and responsibilities as well as the Board's procedures.</p> <p>The Board Charter is periodically reviewed and updated in accordance with the need of the Company and the changing/new regulations that may impact the discharge of the Board's duties and responsibilities.</p> <p>The Board Charter is published on the Company's corporate website at www.fsbm.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 is committed to maintaining a culture of high standard of ethical business behaviour at all times.</p> <p>The Board has established a Code of Conduct and Ethics to be observed by the Directors. Whilst Management and employees are guided by the Code of Conduct and Ethics contained in the Group HR Policies and Procedures. The Board, management, employees and anyone who is employed by or works at or engaged in activities with FSBM and its subsidiaries are required to act in the manner consistent with this commitment.</p> <p>The Code of Conduct and Ethics is published on the Company's corporate website at www.fsbm.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>With the effort to maintain a culture of high ethical standards and behavior, the Board has put in place a Whistleblowing Policy ("Policy").</p> <p>The Policy encourages employees and others who have serious concerns about any aspect of the Company and Group including, but not limited to unethical or fraudulent practices within the Group to come forward and voice those concerns.</p> <p>The purpose of this Policy is to establish a system for reporting, investigation and resolution of reportable conduct, so that, damage control or remedial action can be taken promptly. It provides guidelines for the support and protection of individuals who wish to report reportable conduct but are apprehensive of doing so or fear retribution.</p> <p>The Whistleblowing Policy can be viewed on the Company's corporate website at www.fsbm.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

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	:	<p>During the financial period ended 31 December 2019, the Board of the Company consists of five (5) members, of which two (2) are Independent Non-Executive Directors, representing 40% of the total Board members. The Board is required to compose of three (3) Independent Directors in order to apply Practise 4.1.</p> <p>The Board members are as follows:</p> <ul style="list-style-type: none">• Dato' Ir Dr Abdul Rahim Bin Daud <i>(Senior Independent Non-Executive Chairman)</i>• Dato' Tan Hock San @ Tan Hock Ming <i>(Managing Director)</i>• Encik Abdul Jalil Bin Abdul Jamil <i>(Independent Non-Executive Director)</i>• Mr Tan Ee Ern <i>(Executive Director)</i>• Ms Tan Wan Yen <i>(Executive Director)</i> <p>The Board has been looking for a suitable qualified candidate to fill up the vacancy of Independent Director. The candidate must possess the accounting qualification as prescribed in Paragraph 15.09(1)(c) of the Main Market Listing Requirements as he/she will also be appointed as a member of the Audit Committee as well so that the said Listing Requirement is complied. A few candidates had been approached by the Company. However, the offers had been declined. The Board recognised that it is a challenge for the Company to attract right candidate to be the Board member as the Company has been classified as a PN17 company. Nevertheless, the Board will continue to source for suitable to fill up the position.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	None of the Independent Directors of FSBM has exceeded the tenure of a cumulative term of nine (9) years in the Company as at 31 December 2019.	
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 concurs that the selection and appointment of members of the Board and Senior Management are based on merit and objective criteria with due regard for the benefits of diversity with no restriction on ethnicity, age and gender. The Board and Senior Management as a whole should have the right mix of skills.</p> <p>Generally, the criteria for Board membership are:</p> <ul style="list-style-type: none">• Experience and background that is relevant to the market that FSBM is currently in or intending to pursue.• Ability and intelligence to make sensible business decisions and recommendations.• The astute operational and business senses in evaluating business activities, being able to ask questions and engage with management.• High ethical values, being able to make decisions with integrity.• Strong commitment to furthering and protecting the interests of Shareholders, and the achievement of the Company's goals.• Ability to work with the other Board members constructively and harmoniously through collegial, productive working relationships that foster trust and respect.• Willingness to devote time to effectively discharge his/her duties as Director.• In the case of position of Independent Non-Executive Director, the independence and ability to discharge such responsibilities/functions as are expected from an Independent Non-Executive Director. <p>The Board recognises the benefit in having access to the diversity of input from people with a wide range of backgrounds, skills and experience. These criteria has been applied by the Board in its recent efforts in sourcing for a suitable qualified candidate to fill up the vacancy of Independent Director.</p>

	<p>The appointment of Senior Management is based on pre-determined criteria according to position and job descriptions with due regard for equality in the workplace. At present, the Key Senior Management of FSBM is represented by the Managing Director and two Executive Directors. The Senior Management team will be enlarged when the Group's activities increase.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

Practice 4.5

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	:	<p>The Board has not formalised its Board Gender Diversity Policy alongside targets and measures to meet the targets.</p> <p>The current Board comprises a woman Director, namely Ms Tan Wan Yen who is the Executive Director of the Group, equivalent to 16% women representation on the Board.</p> <p>Given the current state of the Group's business activities, it is more crucial to have the right mix of skills on the Board to lead the Company to the right track instead of achieving the 30% gender target.</p> <p>The Board recognises the spirit of the MCCG. Proper measures will be taken to achieve sufficient board gender diversity when the Group's activities increase.</p>
<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 4.6

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 appointment of new Directors is decided by the Board in consultation with and based on the recommendation of the Nomination Committee. During the financial period ended 31 December 2019, the Board was endeavour in sourcing for suitable qualified candidate to fill up the vacancy of Independent Director and Audit Committee. The main source of candidates for appointment of Directors is through Directors networking and referral. The Board will use external search consultancies for appointment as and when necessary.
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 Nominating Committee (“NC”) is chaired by a Senior Independent Non-Executive Chairman, namely Dato’ Ir Dr Abdul Rahim Bin Daud who lead the NC on Board recruitment process and annual review of Board performance and effectiveness.	
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 has established a Nomination Committee (“NC”) to assume the duty on annual effectiveness review of the Board, Board Committees and each individual Director.</p> <p>During the financial period ended 31 December 2019, the NC comprises two (2) members, exclusively of Independent Non-Executive Directors, and is chaired by a Senior Independent Non-Executive Chairman. The members of the NC are as follows:-</p> <ol style="list-style-type: none">1. Dato’ Ir Dr Abdul Rahim Bin Daud – Chairman <i>(Senior Independent Non-Executive Chairman)</i>2. Encik Abdul Jalil Bin Abdul Jamil – Member <i>(Independent Non-Executive Director)</i> <p><u>Assessment Process</u></p> <p>The process of assessment are as follows:</p> <ul style="list-style-type: none">• The assessment is performed annually and internally facilitated. The evaluation process is facilitated by the Company Secretary.• The NC applies the performance evaluation criteria and assessment forms / checklists as recommended in the Corporate Governance Guide in conducting the annual assessments of Board and Board Committees and individual Directors, and assesses the independence of the Independent Directors.• Prior to NC meeting, the respective questionnaires are circulated to the NC members via electronic-mail.• At the NC meeting, the NC discusses the performance of the Board and Board Committees, and each individual Director.• The NC then recommends the outcome of the assessments to the Board for its review.

The NC had conducted an annual assessment on the performance and effectiveness of the Board, Board Committees and each individual Director in respect of the financial period ended 31 December 2019.

Assessment Outcomes

The following assessment outcomes were reported by the NC:

- 1) Given the challenges faced by the Company and Group, the Board had discharged its fiduciary duties adequately. However, an Independent Director with accounting qualification should be appointed as soon as possible so that the Board composition is proper.
- 2) The Board Committees i.e., Audit Committee, Nomination Committee and Remuneration Committee had discharged their duties in according to their Terms of Reference, except for the Risk Monitoring Committee which was not active during the financial period as the Group was operating with minimum level of business activities. The composition of the Audit Committee should be rectified.
- 3) Each Director had sufficiently contributed his/her skills, experience, business and industry knowledge and time in discharging their duties and responsibilities.
- 4) The Independent Directors have exercised due care during their tenure as Independent Directors of the Company and have discharged their duties with reasonable skill and competence, bringing independent judgment into the decision making of the Board in the best interest of the Company and its shareholders.

Meanwhile, the NC commented that the following issues required the Board's focus when the Group's activities increase:

1. To review and refresh the Senior Management team to ensure it is equipped to manage the Group's business plan and projects.
2. To restructure the membership of the Risk Monitoring Committee.
3. To revise the membership of the Remuneration Committee ("RC") to align with Guidance 6.2 of the MCCG that the RC composition to consist solely Non-Executive Directors.
4. Directors are encouraged to continually update their skills and knowledge of the business and to actively participate on continuous professional development programs so that, the Board is equipped to meet the fast changing competitive business environment and technological changes.

	<p>5. To review the succession planning and increase the discussion of succession planning at Board level.</p> <p>6. The Board should increase its engagement with shareholders and stakeholders.</p> <p>Based on its assessment outcomes, the NC recommended to the Board to seek shareholders' approval for re-election of the retiring Directors at the forthcoming Annual General Meeting (AGM).</p> <p><u>Directors' Training</u></p> <p>Paragraph 15.08 of the Listing requirements of Bursa Securities requires Directors to undertake continuous professional development programs to keep themselves abreast with the changing business environment, regulatory and corporate governance. Based on the results of the annual assessments, the NC assisted the Board undertaken an assessment on the training needs of each Directors. All Directors were also requested to identify their areas of training needs.</p> <p>During the financial period ended 31 December 2019, all Directors had attended training programs, with details as follows:-</p> <table border="1" data-bbox="557 1010 1406 1632"> <thead> <tr> <th>Training Attended</th> <th>Date</th> <th>Duration</th> </tr> </thead> <tbody> <tr> <td>Global Reporting Initiative - Workshop on Sustainability Reporting</td> <td>January 2019</td> <td>1 Day</td> </tr> <tr> <td>BNM - Fire Side Chat for Directors</td> <td>June 2019</td> <td>1 Day</td> </tr> <tr> <td>Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times</td> <td>June 2019</td> <td>1 Day</td> </tr> <tr> <td>BNM - Artificial Intelligent and Directors Role</td> <td>July 2019</td> <td>1 Day</td> </tr> <tr> <td>BNM - Value Base Intermediation for Directors</td> <td>August 2019</td> <td>1 Day</td> </tr> <tr> <td>BNM - Leadership In a Disruption World</td> <td>August 2019</td> <td>1 Day</td> </tr> <tr> <td>Malaysian Institute of Integrity - Inculcating Good Corporate Governance in Corporate Entity</td> <td>October 2019</td> <td>1 Day</td> </tr> <tr> <td>Strategic Direction for Multimedia University</td> <td>November 2019</td> <td>1 Day</td> </tr> </tbody> </table>	Training Attended	Date	Duration	Global Reporting Initiative - Workshop on Sustainability Reporting	January 2019	1 Day	BNM - Fire Side Chat for Directors	June 2019	1 Day	Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times	June 2019	1 Day	BNM - Artificial Intelligent and Directors Role	July 2019	1 Day	BNM - Value Base Intermediation for Directors	August 2019	1 Day	BNM - Leadership In a Disruption World	August 2019	1 Day	Malaysian Institute of Integrity - Inculcating Good Corporate Governance in Corporate Entity	October 2019	1 Day	Strategic Direction for Multimedia University	November 2019	1 Day
Training Attended	Date	Duration																										
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BNM - Fire Side Chat for Directors	June 2019	1 Day																										
Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times	June 2019	1 Day																										
BNM - Artificial Intelligent and Directors Role	July 2019	1 Day																										
BNM - Value Base Intermediation for Directors	August 2019	1 Day																										
BNM - Leadership In a Disruption World	August 2019	1 Day																										
Malaysian Institute of Integrity - Inculcating Good Corporate Governance in Corporate Entity	October 2019	1 Day																										
Strategic Direction for Multimedia University	November 2019	1 Day																										
<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>																												

Timeframe	:		
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Intended Outcome

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

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

Practice 6.1

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

Application	: Applied
Explanation on application of the practice	<p>The Remuneration Committee ("RC") assists the Board in setting the remuneration framework on remuneration packages for Directors and Senior Management, and implements the remuneration policy and procedures accordingly.</p> <p>The Remuneration Policy and Procedures of the Company are set out below:</p> <ul style="list-style-type: none"> ▪ The approach to remuneration should take into account the best practice and market trends in the industry the Company and Group is operating, while supporting the commercial needs and long term interest of the Company and Group, and the interest of shareholders and stakeholders. ▪ There must be a clear link between remuneration and performance, and remuneration packages should reflect the roles and responsibilities, and be set at a level which is sufficient to attract and retain Directors and Senior Management with the necessary caliber to make important contribution to the Company and Group. ▪ The remuneration packages of the Board, Board Committees and Senior Management shall be recommended by the RC. Where appropriate, the results of market surveys are made available to the RC and the RC may seek advice from appropriate consultants and invite the views of the Chief Financial Officer and Group Head of Human Resources. ▪ The Board shall determine the remuneration packages for Directors and Senior Management as a whole based on RC's recommendation.

	<ul style="list-style-type: none"> ▪ Remuneration packages shall be reviewed on a yearly basis to ensure they remain appropriate. ▪ Remuneration packages comprises the following elements: <ul style="list-style-type: none"> 1. <u>DIRECTOR</u> <ul style="list-style-type: none"> (a) Managing Director and Executive Directors <ul style="list-style-type: none"> • They are entitled to receive remuneration in accordance with the Company’s Constitution. • They draw monthly salaries, EPF and benefits-in-kinds based on employment and service contract approved by the Board. • The remuneration package set out in the employment and service contracts are determined based on role, function and level of responsibilities, experience and expertise of each Director and industry market rate, and shall link corporate performance to individual performance and contribution. • Bonuses are payable based on a non-contractual bonus scheme, which is dependent on their performance and Company’s performance. • They are not entitled to Directors’ fees. • They may be paid all travelling or such other reasonable expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general meetings/annual general meetings of the Company or in connection with the business of the Company in the course of performance of their duties as Directors. (b) Non-Executive Directors <ul style="list-style-type: none"> • They are entitle to receive remuneration in accordance with the Company’s Constitution. • Non-Executive Directors are entitled to Directors’ fees as ordinary remuneration and shall be a fixed sum and not payable by a commission or percentage of profits or turnover. • The remuneration should reflect the contribution and level of responsibilities undertaken by them, and industry market rate.
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	<ul style="list-style-type: none"> • They will also be paid a sum based on their responsibilities in Board Committees. • They may be paid all travelling or such other reasonable expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general meetings/annual general meetings of the Company or in connection with the business of the Company in the course of performance of their duties as Directors. <p>2. SENIOR MANAGEMENT</p> <ul style="list-style-type: none"> • They draw monthly salaries, EPF and benefits-in-kinds based on employment and service contract. • The remuneration is set based on function, workload and responsibilities involved, and industry market rate. • Bonuses are payable based on a non-contractual bonus scheme, which is dependent on key performance indicators and the Company's performance. <ul style="list-style-type: none"> ▪ The outcome of the Nomination Committee's annual assessment may be used by the RC as a guide in its review of remuneration packages of Directors and Senior Management. ▪ The Directors concerned should abstain from participating in the deliberation and decision-making in respect of their own remuneration. ▪ The fees of Non-Executive Directors and any benefits payable to them, and any increment are recommended by the Board for shareholders' approval in general meeting or annual general meeting pursuant to Section 230(1) and 340(1)(c) of the Companies Act, 2016.
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 remunerations including reviewing and recommending matters relating to the remuneration of board and senior management.

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee ("RC") assists the Board on the implementation of remuneration policy and procedures according to the RC's Terms of Reference. The RC's Terms of Reference is published on the Company's corporate website at www.fsbm.com.my</p> <p>During the financial period ended 31 December 2019, the RC comprises three (3) members, with a majority of Independent Non-Executive Directors, and is chaired by a Senior Independent Non-Executive Chairman. The members of the RC are as follows:-</p> <ol style="list-style-type: none">1. Dato' Ir Dr Abdul Rahim Daud – Chairman <i>(Senior Independent Non-Executive Chairman)</i>2. Encik Abdul Jalil Bin Abdul Jamil – Member <i>(Independent Non-Executive Director)</i>3. Dato' Tan Hock San @ Tan Hock Ming – Member <i>(Managing Director)</i> <p>According to Guidance 6.2 of the MCGG, RC composition should consist of solely Non-Executive Directors and a majority of them Independent Directors. Despite that, having considered the Group's adverse financial position, the Nomination Committee ("NC") recommended RC should maintain its current membership as the RC still requires guidance of Dato' Tan Hock San @ Tan Hock Ming, who is the Managing Director, on matters relating to remuneration. The membership shall be revised to consist of solely Non-Executive Directors when the Group's activities increase and back to the right financial track.</p>

Review Procedures

The RC practises the following procedures on implementation of the remuneration policy:

- The RC conducts its annual review of the remuneration packages of the Group Managing Director, Executive Directors, Non-Executive Directors and Senior Management, and makes recommendation to the Board.
- The RC is guided by the assessment outcome of the NC and the report of the Managing Director in its review of the remuneration packages. Comparisons are made with the remuneration paid by other comparable public listed companies.
- None of the individual Directors or the Chairman participates in the discussion and decision relating to their own remuneration.

The RC had conducted its annual review of the remuneration package of the Board in respect of the financial period ended 31 December 2019.

Recommendation

In consideration of the financial difficulty faced by the Company and Group, the RC accepted the proposal of the Managing Director, as follows:

- The remuneration packages of the Managing Director and two Executive Directors shall remain unchanged as per the remuneration approved by the Board since January 2009. However, in view of the Company and Group have been facing cash flow constraint since the past few years, the salary of Managing Director and the two Executive Directors shall be accrued and reflected at a later period when the Group is back to a healthy financial position.
- The Directors fees for the Independent Non-Executive Directors shall also remain unchanged.
- Moving forward, the RC's key area of focus is to review again the remuneration packages of the Executive Directors and Non-Executive Directors and make adjustment accordingly according to market rate after the Group has successfully secured new projects and back to a healthy financial position.

The above recommendations were approved by the Board.

Pursuant to Section 230(1) of the Companies Act, 2016, among others, "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this regards, the Board recommended the Directors' fees of the Non-Executive Directors amounted to RM47,500 for approval by

	the shareholders at the forthcoming Annual General or at any adjournment thereof.	
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	: The remunerations received or receivable by the Non-Executive Directors, Managing Director and Executive Directors in respect of the financial period ended 31 December 2019 are disclosed below:-																																						
	<u>COMPANY</u>																																						
	Non-Executive Directors																																						
	<table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Directors' Fees RM</th> <th>Other Emoluments RM</th> <th>Total RM</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Dato' Ir Dr Abdul Rahim Bin Daud (<i>Senior Independent Non-Executive Chairman</i>)</td> <td>25,000</td> <td>nil</td> <td>25,000</td> </tr> <tr> <td>2.</td> <td>Abdul Jalil Bin Abdul Jamil (<i>Independent Non-Executive Director</i>)</td> <td>22,500</td> <td>nil</td> <td>22,500</td> </tr> </tbody> </table>							No.	Name	Directors' Fees RM	Other Emoluments RM	Total RM	1.	Dato' Ir Dr Abdul Rahim Bin Daud (<i>Senior Independent Non-Executive Chairman</i>)	25,000	nil	25,000	2.	Abdul Jalil Bin Abdul Jamil (<i>Independent Non-Executive Director</i>)	22,500	nil	22,500																	
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No.	Name	Salary RM	Bonus RM	EPF RM	Benefits in-kind RM	Other Allowance RM	Total RM																																
1.	Dato' Tan Hock San @Tan Hock Ming (<i>Managing Director</i>)	nil	nil	nil	nil	nil	nil																																
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		GROUP					
		Non-Executive Directors					
No.	Name	Directors' Fees RM	Other Emoluments RM	Total RM			
1.	Dato' Ir Dr Abdul Rahim Bin Daud (<i>Senior Independent Non-Executive Chairman</i>)	25,000	nil	25,000			
2.	Abdul Jalil Bin Abdul Jamil (<i>Independent Non-Executive Director</i>)	22,500	nil	22,500			
		Managing Director and Executive Directors					
No.	Name	Salary RM	Bonus RM	EPF RM	Benefits in-kind RM	Other Allowance RM	Total RM
1.	Dato' Tan Hock San @Tan Hock Ming (<i>Managing Director</i>)	nil	nil	nil	nil	nil	nil
2.	Tan Wan Yen (<i>Executive Director</i>)	nil	nil	nil	nil	nil	nil
3.	Tan Ee Ern (<i>Executive Director</i>)	nil	nil	nil	nil	nil	nil
		Note:					
		There were no remunerations paid to the Managing Director and Executive Directors of the Company and its subsidiaries during the financial period ended 31 December 2019. The remunerations of the Non-Executive Directors have yet to be accrued, and will be reviewed at a later period when the Group is back to a healthy financial position.					
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	:	Applied
Explanation on application of the practice	:	The Key Senior Management of FSBM Holdings Berhad is represented by Dato' Tan Hock San @ Tan Hock Ming (Managing Director), Mr Tan Ee Ern (Executive Director) and Miss Tan Wan Yen (Executive Director). As disclosed under Practice 7.1, there were no remunerations paid to them during the financial period ended 31 December 2019.
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 7.3 - 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 Board and Audit Committee are chaired by different individual. The Board is chaired by Dato' Ir Dr Abdul Rahim Bin Daud who is a Senior Independent Non-Executive Chairman. The position of Audit Committee Chairman had been vacant during the financial period ended 31 December 2019. The Board had on 6 May 2020 re-designated the remaining Audit Committee member, namely Encik Abdul Jalil Bin Abdul Jamil as Audit Committee Chairman.	
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	:	With regards to the appointment of former key audit partner as a member of Audit Committee, the Board concurs that a former key audit partner would be in a better position in terms of independence after a cooling-off period. Thus, the Terms of Reference of Audit Committee has included a clause on a minimum cooling-off period of two (2) years before a former key audit partner can be appointed as a member of the Audit Committee. During the financial period ended 31 December 2019, none of the members of the Audit Committee was a former key audit partner of the Company and 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") assists the Board to fulfil its oversight responsibilities. One of it is in relation to monitoring the independence and effectiveness of the External Auditors.</p> <p>In this context, the AC is responsible for the following matters:</p> <ol style="list-style-type: none">1. Oversees the selection process for External Auditors and if the auditors resign, the AC investigate the issues leading to the resignation.2. Monitors the objectivity and independence of the External Auditors.3. Assesses the effectiveness of the audit process and the quality of the External Auditors.4. Reviews the remuneration payable to the External Auditors. <p>The AC makes recommendation to the Board on appointment, removal, or whether or not the External Auditors should be put forward for re-appointment at an Annual General Meeting ("AGM"); and their remuneration.</p> <p>The AC has put in place the following policies:</p> <ul style="list-style-type: none">• The independence and suitability of the External Auditors are reviewed and assessed based on the criteria listed below:<ul style="list-style-type: none">▪ The independence, objectivity, integrity and professionalism of the External Auditors in accordance with the terms of the professional and regulatory requirements of the Malaysian Institute of Accountants;▪ The level of non-audit services rendered or to be rendered by the External Auditors and its affiliates;▪ The experience, capabilities and resources of the audit firm;

	<ul style="list-style-type: none"> ▪ The performance and competencies of the External Auditors; ▪ The quality of services including the responsiveness to issues and ability to provide realistic analysis with technical knowledge and independent judgement, the quality of their conclusion and recommendations, and sufficiency of resources they provide to the Group; and ▪ The quality of the communications and interactions between the External Auditors and the AC during the course of audit; <ul style="list-style-type: none"> • The audit fees shall be evaluated based on quantum of audit work, the audit process and approach, the engagement team’s credentials and experience, their ability to provide value advice and services, and the ability to complete audit work within the Group’s timeline. • The provision of non-audit related services by the External Auditors and its affiliates are permitted with prior approval of the AC. <p>There are limitations on the level and type of non-audit services that can be rendered by the External Auditors and its affiliates. The type of non-audit services that are prohibited is based on guidance from the By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants.</p> <p>The following factors should be assessed prior to the External Auditors being engaged:</p> <ul style="list-style-type: none"> • The threats to independence and objectivity resulting from the provision of such services. • Whether there are any conflicts of interest for the External Auditors. • The quantum of non-audit fees in the context of the overall audit fee. <p>The following procedures are undertaken by the AC:</p> <ul style="list-style-type: none"> • Performing annual review and assess the external audit process including the independence, quality and performance of the External Auditors. • Obtaining assurance form the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. • Hold separate meetings with the External Auditors without management being present.
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	<ul style="list-style-type: none"> Monitoring the type and level of non-audit services provided by the External Auditors and its affiliates. Based on the outcome of the annual assessment, make recommendation to the Board on whether to re-appoint the External Auditors and their remuneration. <p><u>Re-appointment of External Auditors</u></p> <p>The AC had reviewed the suitability and independence of the current External Auditors and recommended to the Board for re-appointment as the External Auditors to audit of the Company’s financial statements for the ensuing financial year.</p> <p><u>Audit and Non- Audit Fees</u></p> <p>The AC had reviewed the audit fees and non-audit fees in respect of the financial period ended 31 December 2019, and made recommendation to the Board for approval of the audit fee and non-audit fee of the Company and the Group.</p> <p>Pursuant to the authority given by Shareholders at the Adjourned Thirty-Fourth (34th) Annual General Meeting, the Board approved the audit fees and non-audit fees based on the recommendation of the AC.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>During the financial period ended 31 December 2019, the Audit Committee ("AC") comprised of two (2) members, all of them are Independent Non-Executive Directors.</p> <p>The members of the AC are as follows:</p> <ol style="list-style-type: none">1. Encik Abdul Jalil Bin Abdul Jamil – Chairman <i>(Independent Non-Executive Director)</i>2. Dato' Ir Dr Abdul Rahim Bin Daud – Member <i>(Senior Independent Non-Executive Chairman)</i>

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 AC possess the necessary skills to discharge its duties. The members of the AC have an understanding of the industry in which the Company operates. Although none of the AC members possess the accounting qualification as prescribed by the Main Market Listing Requirements, they keeps themselves up-to-date with developments of the accounting and auditing standards through various avenues so that they are able to assume the responsibility on overseeing the financial report of the Company and Group effectively.</p> <p>During the financial period ended 31 December 2019, the activities of the AC in terms of overseeing financial reporting were as follows:</p> <ol style="list-style-type: none"><u>Review of quarterly financial results</u> At each quarterly meeting, the AC reviewed the quarterly financial results prepared by Management. The AC in consultation with Management deliberated on the integrity of the quarterly financial results as well as the significant issues of concerns before recommending to the Board for approval.<u>Audited Financial Statements</u> The AC reviewed the Audited Financial Statements before recommending to the Board for approval. The AC discussed with Management with regard to the audit findings, disclosures and key areas relating the draft Audited Financial Statements, the representation letters issued by the External Auditors and the implementation of audit recommendations.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

Companies 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 established a Risk Management Framework which provides key principles and concepts, and a clear direction and guidance on risk management to give assertion on the state of risks and controls, with the objective to protect the interest of shareholders and stakeholders and achieve the Group's business objectives.</p> <p>The Risk Management Framework lays down the following:</p> <ol style="list-style-type: none"> 1. The risk management policy 2. Key objectives for risk management 3. Risk management process 4. Risk responsibilities 	
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><u>Risk management and internal control framework</u></p> <p>Risk Management Policy Risk management and internal control is about predicting and containing risk, and being equipped to handle the outcome of uncertainty. The Board ensures there is adequate and effective risk management process, provide assertion on the state of risks and controls and reasonable assurance to the Board and to protect the interests of shareholders and increase shareholders' value.</p> <p>Risk Management Approach The Group adopts a proactive approach on internal risk management. Risk management process including the following:</p> <ol style="list-style-type: none">1. Risk Identification2. Risk Assessment3. Risk Mitigation4. Risk Monitoring5. Risk Reporting <p>Risk management is an on-going exercise, it is a process effect by the Company's Board, management and other personnel, applied in strategy setting across the Group, designed to identify potential events that may affect the Company and Group, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of its objectives.</p> <p>Risk management process involves the following responsible parties:</p> <ol style="list-style-type: none">1) Board of Directors2) Risk Monitoring Committee ("RMC")3) Risk Working Group ("RWG")4) Senior Management/Business Heads/Line Management5) Risk Coordinator6) Internal Audit

- The Board provides stewardship on the Group’s risk management. It determines the nature and extent of the principal risks it is willing to take in achieving the Group strategic objectives. It reviews the risk identified and endorses the risk management initiatives and ensure the risk management is adequate and effective.
- The RMC is established to assist the Board in the discharge of risk monitoring and control responsibilities. It develops, recommends and implements suitable group-wide risk management framework, policies & procedures and control, and reports to the Board on risk exposure.
- RWG is responsible for on-going risk identification, assessment and evaluation and managing of risk; recommending risk strategies and mitigation action plans; and evaluate and monitoring risk management performance. It reports to RMC on the state of Group Risk Profile and exposure.
- Senior Management / Business Heads / Line Management are responsible for direct implementation and monitoring of risk mitigation strategies and internal control. It reports the risk profile and risk management performance to RWG/RMC.
- Internal Audit may act as secretariat for the RMC and RWG and assist in the Group wide coordination for the implementation of risk management framework and activities. It is not the role of Internal Audit to identify the risks facing the organisation. However, where additional risks are identified by the Internal Auditor during their work, then these should be fed back to management as part of the normal audit reporting process.

Risk reporting consist of:

- Principal risks, potential impact/ damages.
- Existing controls currently in place.
- Management initiatives to mitigate and managed identified risks.
- Approvals required on initiatives.

Internal Control

The key elements of the Group’s internal control system are described below:

1. Limits of authority and responsibility

Clearly defined delegations of responsibilities to committees of the Board, the management and operating units, including authorisation levels for all aspect of the businesses. Each operating unit has clear policies for ensuring that appropriate risk and control procedures are in place. The delegations are subject to ongoing review throughout the year as to their implementation and for continuing suitability.

	<p>2. Written policies and procedures</p> <p>Standard operating procedures are issued to address business needs, and to manage the risks to which they are exposed. Ongoing reviews carried out to ensure adequacy and effectiveness of the Group’s system of internal control.</p> <p>3. Planning, monitoring and reporting</p> <ul style="list-style-type: none"> • Regular and comprehensive information provided by management, covering financial performance, key business indicators and cash flow performance; • A detailed budgeting process where operating units prepare and submit budgets for the ensuing year; • Monitoring of results against budget, with major variances being addressed and management action taken, where necessary; • Regular assurance by internal auditors on the adequacy and effectiveness of the Group’s system of internal control; and • Review on risk and control issues identified by Risk Monitoring Committee and the status of corrective actions taken by management. <p>4. Human Resource</p> <p>The professionalism and competence of staff is maintained through a rigorous recruitment process, a performance appraisal system and a wide variety and continuous training and development programs.</p> <p><u>Adequacy and effectiveness</u></p> <p>Given the Group’s present low level of business operations, the control and monitoring arrangements currently in place are appropriate.</p> <p>The Board and Management have been continuously mitigating the risks and that may have a considerable impact on the Company and Group. Current risks on which the Board and management are continuing to focus are operational and financial risks. Various initiatives have been taken by the Board and management to sufficiently manage these risks to ensure the Group is operating on a going concern basis. It is acknowledged that when the Group’s activities increase, more resources will be made available to enhance the risk management process.</p>
<p>Explanation for departure</p>	<p>:</p>

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

Intended Outcome

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

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

Practice 9.3 - 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	:	Adopted
Explanation on adoption of the practice	:	Instead of establishing a Risk Management Committee ("RMC"), the Risk Monitoring Committee assumes the role to assist the Board to oversee the risk management framework and policies.

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 out sources its Internal Audit Function to a professional services firm, namely Messrs. Aden Management Services. The Internal Auditors are engaged to conduct regular reviews and appraisals of the effectiveness of governance, risk management and internal control process within the Company and Group.</p> <p>It is recognised that Internal Audit Function is important in assisting the Audit Committee (“AC”) in execution of its oversight function and discharge its responsibilities by performing independent reviews to ensure the adequacy and effectiveness of the internal control and risk management systems established by the Group.</p> <p>The AC acknowledged that when the Group’s activities increase and has back to a healthy financial position, more resources will be made available for the effective functioning of the Internal Audit Function. The management has provided assurance to the AC and the Board that the Group’s risk management and internal control system has operated adequately.</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 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>FSBM Group's internal audit is performed by Miss Jeya A/P Rengasamy, the Internal Auditor of a professional services firm, namely Messrs. Aden Management Services. She is objective and independent in her audit approach, as she has no relationships with the Group, nor conflict of interest. The Internal Audit firm comprises of 10 people, and her own qualification is a degree in accounting.</p> <p>The internal audit was not carried out in accordance with a recognised framework as the Group currently has a minimal level of business activities with low level of transactions. Hence, the internal audit was relatively straight forward, and therefore detailed work was not required.</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 responsible in reporting to shareholders and ensure accountability the stakeholders. The Board has put in place a Corporate Disclosure Policies and Procedures and ensure that it is implemented effectively.</p> <p>Although the Group is currently operating with minimal level of business activities, the Board has ensured that all disclosure requirements as set out are duly complied with. All financial reports and statements, news releases, presentations, corporate governance documents and other information are accessible to shareholders via the Company's corporate website.</p> <p>Besides that, Annual General Meetings are properly held and the procedures are compliance with the regulatory requirements and MCGG.</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	:	FSBM Holdings Berhad is not a Large Company as defined in the MCGG. Thus, the Company has not adopted an integrated reporting based on a globally recognised framework in its reporting approach to stakeholders.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<p>The Annual General Meeting is the principal forum for dialogue with shareholders.</p> <p>The Company has been practising sending Notice of Annual General Meeting (“AGM”) to shareholders more than 28 days prior to the meeting. Apart from that, the Board ensures suitability of venue and timing of meeting and undertake other measures to encourage shareholders’ participation at the meetings.</p> <p>The Notice of AGM provides the relevant information pertaining to each Agenda to facilitate shareholders’ understanding and evaluation of the resolution and make informed decisions. The Board ensure that all information and explanatory notes provided in the Notice of AGM are in compliance with the Listing Requirements and MCGG.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Company's AGM provides the opportunity for all shareholders to meet and to put questions to the Board Directors. All Directors are present at the AGM each year to provide responses to questions from the shareholders during these 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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>As at 31 December 2019, the Company had approximately 1,000 shareholders, and it is not categorised as a listed company with large shareholders. Hence, taking into the cost consideration, the necessary facilities for voting in absentia or remote shareholders' participation at General Meetings have not been put in place.</p> <p>The Board will continue ensure the suitability of venue and timing of general meeting to encourage shareholders' participation. Shareholders who are unable to attend the general meetings may appoint proxies to attend, speak and vote on their behalf.</p>
<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 PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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