

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7143
COMPANY NAME : STONE MASTER CORPORATION BERHAD
FINANCIAL YEAR : September 30, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges that its key responsibilities includes establishing the Group's objectives, deliberating and directing the strategic plans and policies and the strategic allocation of the Group's resources to align with the overall objectives of the Group. The primary focus of the Board mainly comprises of formulation of strategies, overseeing the proper conduct of the Group, monitoring of financial performance, evaluation and management of principal risks faced by the Group, implementation and review of risk management and internal control system, as well as succession planning.</p> <p>To ensure the effective discharge of its function and responsibilities, the Board delegates some of the authorities and discretions to the Chief Executive Officer, Executive Directors and senior management staff of the operating units within the Group ("the Management") as well as its properly constituted Board committees. There is a clear segregation of duties and responsibilities reserved for the Board and those delegated to the Management.</p> <p>The Board Committees operate within their respective clearly defined terms of reference to assist in the effective functioning of the Board. The respective Board Committees' function, terms of reference and the authority delegated by the Board are reviewed from time to time to ensure they remain relevant and up to date.</p> <p>The Board Committees discuss matters within their functioning scope in greater details and report to the Board on matters deliberated together with their recommendations for the Board's consideration. Any material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subject to the Board's approval. The final decision on all matters remains the subject of the Board's collective approval. None of the members of the Board has unfettered powers of decision.</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 1.2

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 is chaired by an experienced Dato' Haji Abdul Aziz Bin Mohamed who leads the Board and acts as a liaison between the Board and the Management. The Independent Non-Executive Chairman is responsible for representing the Board to the shareholders of the Company and for ensuring the integrity and effectiveness of the governance process of the Board.</p> <p>The Chairman is also responsible in leading the Board in the oversight and supervision of the Group's management and for maintaining regular dialogues with the Executive Directors over all operational matters and shall consult with the Board promptly over any matter that gives him cause for major concern.</p> <p>The Chairman will act as facilitator at meetings of the Board to ensure that no Board member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinions among Board members are forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes.</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 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of the Independent Non-Executive Chairman and the Chief Executive Officer are held by different individuals.</p> <p>The roles of the Independent Non-Executive Chairman and the Chief Executive Officer/ Executive Directors are clearly defined and segregated, to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making.</p> <p>En. Fathi Ridzuan Bin Ahmad Fauzi was appointed as the Executive Director/ Acting Chief Executive Officer on 19 January 2018 but had subsequently resigned on 5 June 2018. During the absence of a Chief Executive Officer, the Executive Directors shared the responsibility of leading the Management team.</p> <p>The Chief Executive Officer/ Executive Directors are responsible for the day-to-day operations of the Group, making strategic business decision and implementing the Board's policies and decisions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by a suitably qualified and competent Company Secretary who is a licensed secretary qualified to act as a company secretary under Section 235(2) of the Companies Act 2016.</p> <p>The Company Secretary plays an important advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.</p> <p>The Board is regularly updated and advised by the Company Secretary on any new statutory and regulatory requirements in relation to their duties and responsibilities. All Board members have unrestricted access to the advice and services of the Company Secretary for the purpose of the Board's affairs and the Group's businesses.</p> <p>The Company Secretary is also responsible to ensure that accurate and proper records of proceedings and resolutions are recorded and maintained accordingly.</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	:	<p>A formal agenda together with meeting papers are circulated to the Board members in advance of each Board meeting to ensure the Directors have sufficient time to review and to solicit further clarification and/or information, where necessary, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive.</p> <p>The proceedings and relevant resolutions passed at the Board meetings together with decisions made by way of circular resolutions passed which are duly recorded by the Company Secretary are to be properly documented and filed in the Minutes Book maintained at the Registered Office of the Company.</p> <p>Minutes of meetings are generally circulated and confirmed as correct record of the proceedings of the Board at the next following meeting to be held by the Board.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 its Board Charter which clearly sets out the Board's roles, duties and responsibilities in discharging its fiduciary and leadership functions. The objective of the Board Charter is to ensure that the members of the Board practise good corporate governance in their business conducts and dealings in respect of and on behalf of the Group, and comply with the various laws and regulations governing them and the Group.</p> <p>The Board Charter is available for reference on the Company's corporate website at www.stonemaster.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 recognises the importance of a code of conduct which sets out the standard of conduct which the Directors should adhere to, with the aim of cultivating good ethical behaviour that in turn promote the values of transparency, integrity, accountability and social responsibility.</p> <p>The Directors' Code of Best Practice which forms part of the Board Charter is available at www.stonemaster.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	:	A whistleblowing policy was formalised to provide an avenue for stakeholders of the Group to report any wrong doings or improper conduct in the Group at the earliest opportunity. The whistleblowing policy can be found on the Company's website at www.stonemaster.com.my .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	Presently, the Board consists of six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors, half of whom are Independent Directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 Nomination Committee is tasked with overseeing the selection process and assessment of the performance of the Directors with the objective of securing the best composition to meet the diverse objectives of the Company.</p> <p>In the selection process, the Board and the Nomination Committee endeavours to appoint member(s) that can improve the Board's overall compositional balance and enhance the Board's overall effectiveness in discharging its duties.</p> <p>The Board members collectively make decisions on appointment of a Director, upon recommendation by the Nomination Committee. The Nomination Committee shall first assess the required mix of skills and experience of the candidates, competency, integrity, time commitment and other qualities, before making a recommendation to the Board.</p> <p>In addition, the Board recognises that diversity at Senior Management level is also essential to enhance the effectiveness of a well functioned and balance organisation while promoting good corporate governance culture.</p> <p>Due consideration is given to the competencies, required mix of skills, expertise, professionalism, experience and contribution that the candidates for Board and Senior Management positions could bring to complement the Board and the Company as a whole.</p> <p>The Board's composition and the Senior Management positions during the financial year under review are also diverse in terms of age and ethnicity.</p> <p>The Group is an equal opportunity employer and all appointments and employments are strictly based on merits and are not driven by any racial, gender, ethnicity or age bias.</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

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board does not have any gender, ethnicity and age diversity policies and targets or set any measures to meet any target.	
		However, the Company currently has two (2) female Directors, representing 33% of the Board's composition.	
<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 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee is open in its selection and appointment of candidates for the Board membership which involves the identification of potential candidate(s) upon the recommendations by the existing Board members, Senior Management, substantial shareholders and/or independent sources such as corporate advisors, recruitment agencies, amongst others.</p> <p>During the financial year under review, En. Fathi Ridzuan Bin Ahmad Fauzi was appointed as the Executive Director / Acting Chief Executive Officer based on the recommendation from a substantial shareholder. However, he has resigned from the position on 5 June 2018.</p> <p>Subsequent to the financial year ended 30 September 2018, the Board, also based on the recommendation of a substantial shareholder, has appointed Dato' Sri Dr. Chew Han Ching as the Executive Director cum Chief Executive Officer of the Company on 5 November 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

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by Dato' Haji Abdul Aziz Bin Mohamed, an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nomination Committee would conduct an annual assessment to assess the effectiveness of the Board as a whole, Board Committees and individual Directors. The criteria for assessment include the contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties.</p> <p>Based on the evaluation outcome of the Directors involving peer and self-assessments, the Board is satisfied with the competency, skills, experience and time commitment demonstrated by the respective Directors in discharging its duties and is of the opinion there is no immediate need to revise the present Board's composition.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The overriding principle of the Group's remuneration policy is to attract, retain and motivate Directors of the necessary caliber and experience to lead and manage the Group successfully particularly during the challenging times.</p> <p>Currently, the Company does not have a formalised remuneration policy for Directors and Senior Management.</p> <p>For Executive Directors, the remuneration package is structured to align the interests of the Executive Directors with those of shareholders and is linked to corporate and individual performance, service seniority, experience and responsibilities. For Non-Executive Directors, the level of remuneration is based on the level of caliber, experience and responsibilities. The Board members collectively make decision on the remuneration package of the Non-Executive Directors. Directors are required to abstain from deliberations and voting on decisions concerning their own remuneration.</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

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

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

Practice 6.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Board's Remuneration Committee which comprises majority of Independent Non-Executive Directors is responsible for recommending the remuneration packages of the Directors for the consideration and approval by the Board. The terms of reference of the Remuneration Committee can be viewed at the Company's website at www.stonemaster.com.my .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Due to the currently tight financial constraints of the Company and its presently stringent cost-cutting measures being undertaken, the Board is of the opinion that as the Executive Directors have since for the period from March 2018 till to date, forgone their salaries and benefits and that the Independent Directors are only given a minimal directors' fees, there is no significance for a detailed disclosure on named basis for the remuneration of each individual director of the Company.</p> <p>The Board has taken the approach and position to only provide a total sum of remuneration paid-out to the Directors of the Company (on an unnamed basis) in the 2018 Annual Report in order not to embarrass the individual Directors concerned.</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

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the view that such disclosure on an unnamed basis would give rise to recruitment and confidentiality concerns and that the disclosure in the Annual Report 2018 is adequate.	
		Due consideration is given to attract, retain and motivate the key senior management to lead and run the Company successfully.	
<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 Chairman of the Audit Committee is Ms. Foo Chooi Wai, whilst the Chairman of the Board is Dato' Haji Abdul Aziz Bin Mohamed. This is with the aim of ensuring the overall effectiveness and independence of the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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	:	Currently, none of the members of the Audit Committee nor the Board are former key audit partners of the external auditors. The Board shall observe a cooling-off period of at least two (2) years in the event any potential candidate, who was a former key audit partner of the external auditors, is to be appointed as a member of the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee would review the performance and suitability including independence of the external auditors by performing an annual assessment based on the caliber of the firm, quality processes, audit team, independence and objectivity, audit scope and planning, audit fees and audit communications. Feedback form the Management are also obtained as part of the assessment process.</p> <p>Based on the annual assessment conducted for the financial year under review, the Audit Committee was satisfied with the performance and independence of the external auditors and had recommended to the Board for their re-appointment by the shareholders of the Company for approval at the forthcoming Annual General Meeting.</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	:	The Audit Committee is comprised of three (3) members, all of whom 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 members of the Audit Committee are financially literate with the Chairman of the Audit Committee being a member of the Malaysian Institute of Accountants.</p> <p>The Audit Committee members are briefed and updated by the external auditors, internal auditors and/or the Company Secretary on relevant amendments to the Listing Requirements of Bursa Securities, corporate governance practices and principles, risk management and internal control approaches, Malaysian Financial Reporting Standards as well as auditing requirements on a regular basis.</p> <p>The members also have attended training programmes and on their own efforts have kept abreast and continue to equip themselves with latest knowledge and updates on the financial, business and economic environment.</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 acknowledges that a sound risk management and internal control system is necessary to be established in order to support the Group’s objectives and to safeguard the shareholders’ investment and the Group’s assets.</p> <p>Details of the Group’s risk management and internal control framework are set out in the Statement on Risk Management and Internal Control of the Annual Report 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	Details of the Group's risk management and internal control framework is presented in the Statement on Risk Management and Internal Control of the Annual Report 2018, of which has been reviewed by the External Auditors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Risk Management Committee was set up to assist the Board in discharging its fiduciary duties and responsibilities in relation to overseeing and monitoring of risk management activities to ensure that the inherent business risk exposure of the Group is managed within an acceptable and appropriate level.</p> <p>The present composition of the Risk Management Committee consists of two (2) Independent Non-Executive Directors and an Executive Director.</p>

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	The internal audit function of the Group is outsourced to an independent professional consulting firm, Total Advisors Sdn. Bhd., primarily to review and appraise the effectiveness of the Group's risk management, internal control and governance processes which are independent of the activities and operations of the Group and these are performed impartially and with proficiency and due professional care. In order to maintain the integrity of the internal audit function, the outsourced Internal Auditors report directly to the Audit Committee of their findings and recommendations for improvement.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The outsourced internal audit function team from Total Advisors Sdn. Bhd. is headed by Ms. Christine Looi Pek San, the Director of Total Advisors Sdn. Bhd., who has over twenty (20) years of commercial experience in internal audit and business advisory and is a professional member of the Institute of Internal Auditors, Malaysia. She is supported by a team of three (3) staff in each of the internal audit assignment in the Company.</p> <p>The internal audit reviews were conducted in accordance with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors Inc. which contains the international standards for internal auditing and is based on a risk-based audit approach.</p> <p>The internal audit personnel are free from any relationships or conflicts of interest, which could impair the objectivity and independence.</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 acknowledges the importance of the shareholders and stakeholders to be updated of the Group's activities and performance in an accurate and timely manner so as to enable them to make informed evaluation and investment decision.</p> <p>The Board is mindful of the disclosure obligations as stipulated in the Main Market Listing Requirements of Bursa Securities and strive to ensure compliance at all times. The Board, in its best efforts, always ensure that shareholders and stakeholders are provided with accurate and quality information in relation to the Group on a timely basis.</p> <p>To ensure effective dissemination of information to the shareholders and stakeholders, the Group makes necessary announcements on the Group's affairs and development in accordance with the Main Market Listing Requirements of the Bursa Securities through the website of the Bursa Securities. In addition to that, the Company also maintains a corporate website at www.stonemaster.com.my where pertinent information on the Group can easily be accessible by the shareholders and stakeholders.</p> <p>The Board always encourage the shareholders to attend the Company's general meetings, particularly the Annual General Meetings, as it forms an important platform where the shareholders can engage directly with the Board and the Management and to raise any questions on the resolutions being proposed and also any concerns they may have on the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not a Large Company as defined by the MCCG 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	:	The notice of Annual General Meeting (“AGM”) together with the Annual Report 2018 were despatched to the shareholders on 31 January 2019, which is more than 28 days from the Company’s AGM on 29 March 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

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors attended the previous AGM held on 21 March 2018. The Chairman of the Board Committees together with the Senior Management and the external auditors have also attended the said AGM to respond to questions addressed to them.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company does not have a large number of shareholders.
		<p>Shareholders who are unable to attend the general meetings are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at the general meeting.</p> <p>All resolutions passed by the shareholders at the previous Annual General Meeting held on 21 March 2018 were voted by way of a poll.</p> <p>The Company will consider and introduce electronic voting when appropriate, to facilitate greater shareholders participation and enhance the proceedings of general meetings.</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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