

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5167  
**COMPANY NAME** : Turbo-Mech Berhad  
**FINANCIAL YEAR** : December 31, 2018

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("the Board") of Turbo-Mech Berhad ("Turbo" or "the Company") is accountable and responsible for the overall performance and affairs of the Company by overseeing and appraising the Company's strategies, policies, performance, future expansion, corporate governance, risk management, investments made by the Company and the proper conduct of business of the Group. While the Management is responsible for day-to-day management and operations of Turbo.</p> <p>The Board is guided by a Board Charter which sets out the respective roles of the Board, the Chairman, the Chief Executive Director, Independent Directors and Senior Independent Director.</p> <p>The Board assumes, amongst others, the following duties and responsibilities:-</p> <ul style="list-style-type: none"><li>(a) Reviewing and adopting a strategic plan for the Group, addressing the sustainability of the Group's business;</li><li>(b) Overseeing the conduct of the Group's business;</li><li>(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;</li><li>(d) Succession planning for senior management;</li><li>(e) Overseeing the development and implementation of a shareholder communication policy for the Group; and</li><li>(f) Reviewing the adequacy and the integrity of the management information and risk management &amp; internal controls system of the Group.</li></ul> <p>The Board Charter serves as a reference point for Board's activities and promotes good corporate governance. The Board reviews its Board Charter periodically and updates the Board Charter to ensure it complies with legislations and best practices, and remains relevant and effective in light of the Board's objectives. The Board Charter was last reviewed on 20 November 2017 to be in line with the practices in the new Malaysian Code on Corporate Governance ("MCCG"). The</p>

	<p>Board Charter is available on the Company's website at <a href="http://www.turbomech.com.my">www.turbomech.com.my</a>.</p> <p>The Board has established several committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee to support and assist in discharging its duties and responsibilities. Each committee operates its functions in accordance with its terms of reference which are periodically reviewed by the Board. The Chairman of the respective Board Committees report to the Board on key matters deliberated at the respective Board Committee meetings and makes recommendations to the Board for final decision, where necessary.</p> <p>Nevertheless, the Board remains ultimately responsible for corporate governance and the affairs of the Company. While at all times, the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities.</p>	
<p><b>Explanation for departure</b></p>	<p>:</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><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board of Turbo is led by Mr Gan Kok Ten, who is an Executive Chairman. He was appointed to the Board on 15 October 2009 and subsequently re-designated as Executive Chairman on 24 November 2015. He is a major shareholder of the Company.</p> <p>The Chairman of Turbo is responsible for providing leadership to the Board and ensuring the effective functioning of the Board. In fulfilling his role, the responsibilities undertaken by the Chairman include, amongst others:-</p> <ul style="list-style-type: none"><li>• leading the Board in the oversight of management;</li><li>• representing the Board to shareholders and chairing general meeting of shareholders;</li><li>• setting the board agenda and ensuring the provision of accurate, timely, complete and clear information to Directors;</li><li>• leading and chairing board meetings and discussions;</li><li>• ensuring appropriate steps are taken to provide effective communication with shareholders and relevant stakeholders and their views are communicated to the Board as a whole;</li><li>• encouraging active participation and allowing dissenting views to be freely expressed;</li><li>• managing the interface between board and Management;</li><li>• leading the board in establishing and monitoring good corporate governance practices in the Company;</li><li>• ensuring the integrity of the governance process and issues;</li><li>• maintaining regular dialogue with the Chief Executive Officer ("CEO") over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern;</li><li>• functioning as a facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussions takes place and that relevant opinions among members is forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes; and</li><li>• ensuring that all Directors are enabled and encouraged to participate in its activities. This includes ensuring that all relevant issues are on the agenda and that all Directors receive timely, relevant information and that they are properly briefed on issues arising at Board meetings.</li></ul> <p>The detailed roles and responsibilities of the Chairman are</p>

	encapsulated in the Board Charter which is available on the Company's website at <a href="http://www.turbomech.com.my">www.turbomech.com.my</a> .	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of exercising objective oversight over Management in order to guard the interest of the Company and its stakeholders. Stemming from this, the Board aims to ensure that there is an appropriate balance of power and authority in the Company to prevent any single individual from dominating deliberations and the decision-making process.</p> <p>Appropriately, the role of Chairman and CEO are held by two different individuals. The position of Chairman is held by Mr Gan Kok Ten whilst the position of CEO is held by Encik Nasaruddin Bin Mohamed Ali ("Encik Nasaruddin"). Encik Nasaruddin is also an Executive Director of the Company. He was appointed as Non-Independent Non-Executive Director on 15 October 2009 and subsequently re-designated as an Executive Director on 1 March 2012. He was later appointed as CEO of the Company and the Group on 13 August 2012.</p> <p>The CEO cum Executive Director is responsible for managing day-to-day business operations of the Group with powers, discretions and delegations authorised from time to time by the Board.</p> <p>The respective duties and responsibilities of the Chairman and CEO are clearly articulated in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by two (2) qualified and competent Company Secretaries, namely Ms Tai Yit Chan and Ms Chan Yoke Peng. They are qualified under Section 235(2) of the Companies Act 2016, experienced, and competent in performing their duties.</p> <p>The Board has ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.</p> <p>The Board is also regularly apprised and advised by both Company Secretaries on statutory and regulatory updates and requirements as well as pertinent governance matters from time to time at Board meetings. In discharging their role as counsels to the Board, the Company Secretaries also ensure proper supply of relevant information as well as the accuracy and adequacy of meeting materials, recording of meeting minutes and resolutions of the Board and Board Committees.</p> <p>The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, Malaysian Code on Corporate Governance and legislation.</p> <p>The Company Secretaries constantly keep themselves abreast of changes in the realm of corporate governance through attending relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising Company Secretaries. Detailed information on the functional accountabilities of the Company Secretaries is encapsulated in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has unrestricted access to timely and accurate information, necessary in furtherance of their duties, which is not only quantitative but also such information deemed necessary for instance, products and services qualities, market share, market reaction and environmental performance.</p> <p>To facilitate the Directors' time planning, the 2019 annual meeting calendar was prepared and tabled to the Board at the Board meeting held in November 2018. The Chairman, together with Management and Company Secretary, are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings.</p> <p>The Board members are provided with the necessary materials in advance of each Board and Board Committee meetings. Materials provided to the board include but not limited to:</p> <ul style="list-style-type: none"><li>• Financial reports;</li><li>• Proposals on capital expenditure (if any);</li><li>• Proposals on acquisitions and disposals (if any);</li><li>• Annual budget or Business Plan; and</li><li>• Reports of Board Committees (if any).</li></ul> <p>To ensure the meetings are run in smooth and seamless manner, Board papers and agenda items are circulated at least seven (7) days prior to the meeting.</p> <p>All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.</p> <p>The minutes of Board meetings are prepared within a reasonable period following a Board meeting. The draft minutes are circulated together with the Board papers at the following Board meeting.</p> <p>The minutes of meetings records the decisions, including key deliberations, rationale for each decision made and any concerns or dissenting issues. In addition to the provision, the Directors, either as a group or individually, may upon obtaining prior Board's approval seek independent advice, where necessary, at the Company's expenses on</p>

	any matters in relation to the discharge of their duties.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board of Turbo has put in place a Board Charter which serves the board as a primary reference point on governance matters as well as a guideline for newly-appointed Directors.</p> <p>The Board Charter covers amongst others, the following matters:</p> <ul style="list-style-type: none"><li>• Role and responsibilities of the Board;</li><li>• Structure of the Board;</li><li>• Role of the Chairman;</li><li>• Role of the CEO;</li><li>• Role of the Independent Director;</li><li>• Role of the Senior Independent Director;</li><li>• Tenure of Directors;</li><li>• Role of the Company Secretary;</li><li>• Role of the Board Committees;</li><li>• Communication with stakeholders; and</li><li>• Board structure and procedures.</li></ul> <p>The Board has reserved a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes strategic issues and planning, formulation of policies, material acquisition and disposal of assets, implementing an appropriate system of risk management, approval of the financial statements, financing and borrowing activities, ensuring regulatory compliance, reviewing the adequacy and integrity of internal controls, overseeing the investment and business of the Group, limit of authority and conflict of interest issue relating to a substantial shareholder or a Director including approving related party transactions.</p> <p>In developing and reviewing the Board Charter, the Board has taken into account the applicable rules, laws and regulations as well as internal policies.</p> <p>The Board Charter is periodically reviewed by the Board and updated based on the prevailing regulatory promulgations. The Board Charter is available on the Company's website at <a href="http://www.turbomech.com.my">www.turbomech.com.my</a>.</p>

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

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established a Code of Conduct for Directors and Employees to promote a corporate culture which engenders ethical conduct that permeates throughout the Group.</p> <p>The Code of Conduct covers the following overarching areas:-</p> <ul style="list-style-type: none"> <li>▪ Building an ethical culture;</li> <li>▪ Ways in managing conflict of interest;</li> <li>▪ Responsibilities to Shareholders;</li> <li>▪ Relationship with Employees; and</li> <li>▪ Health and Safety.</li> </ul> <p>The Code of Conduct is made available on the Company’s website at <a href="http://www.turbomech.com.my">www.turbomech.com.my</a>.</p> <p>The Board reviews the Code of Conduct periodically or as and when the need arises to ensure it is kept contemporaneous.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised a Whistleblowing Policy that is applicable to all employees as well as stakeholders of the Company. The Whistle Blower Policy outlines avenues for employees, customers, vendors, professional advisers and any stakeholders of the Company to report suspected and/or known instances of wrongdoing involving the Group’s employees and its assets.</p> <p>The policy outlines the relevant procedures such as when, how and to whom a concern may be properly raised about the genuinely suspected or instances of wrongdoing at the Company and its subsidiaries. The identity of the whistleblower is kept confidential and protection is accorded to the whistleblower against any form of reprisal or retaliation. All such concerns shall be set forth in writing and forwarded in a sealed envelope labelling with “Strictly Private and Confidence – To be opened by the Addressee only” to either the Chief Executive Officer or Chairman of the Audit Committee.</p> <p>The Chairman of the Audit Committee will perform the initial investigation on all complaints in consultation with the Chairman of the Board.</p> <p>The Whistleblowing Policy is made available on the Company’s website at <a href="http://www.turbomech.com.my">www.turbomech.com.my</a> and is subject to periodic review by the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board currently comprises two (2) Executive Directors (including the Executive Chairman cum Chief Financial Officer and Chief Executive Officer cum Executive Director), two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The current Board composition comprises at least two (2) Independent Non-Executive Directors which is in compliance with Paragraph 15.02(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).</p> <p>Notwithstanding that the current Board composition does not comprise at least half of the Independent Directors, the two (2) Independent Directors together with the Chairman of the Audit Committee and the Nomination Committee who are both Independent Non-Executive Directors are able to exercise strong independent judgment and provide independent views and advices to all Board deliberations. This represents satisfactory alternative to the requirement of the recommended best practice of having at least half of the Board members to be Independent Directors, with appropriate representations of minority interest through the Independent Non-Executive Directors.</p> <p>An annual assessment of independence of the Independent Directors would be conducted on annual basis. Based on the evaluation results, the Board was satisfied that each Independent Director has fulfilled the independence criteria set out in the MMLR of Bursa Securities and they continue to demonstrate their independence through their engagement in all meetings, providing objective challenge to the Management and bringing independent judgment to decisions taken by the Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board has reviewed and discussed the current composition and at an appropriate time to recompose the composition of the Board including appointing an additional independent director to comply with this Practice 4.1 of MCGG.
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	Currently, none of the Independent Non-Executive Directors of the Company has exceeded the cumulative terms of nine (9) years.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises that Board diversity optimises decision-making process and has adopted a Diversity Policy to set out the approach to diversity on the Board and workforce of the Group. The Board conducts regular reviews of its composition with the aim to ensure it achieves a diverse Board which is able to unearth a breadth of perspectives. In sourcing for suitable candidates, the Company takes into account the benefits of having different facets of diversity including gender, age, ethnicity, nationality, professional background, skills and experience.</p> <p>The Nomination Committee is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations. In this respect, the role of the Nomination Committee is detailed in its Terms of Reference, which is accessible for reference on at the Company’s website.</p> <p>In making its recommendations to the Board, the Nomination Committee considers and assess the suitability of a new appointment based on objective criteria, including:-</p> <ul style="list-style-type: none"> <li>• skills, knowledge, expertise and experience;</li> <li>• professionalism;</li> <li>• character, integrity, commitment (including time commitment) and competency;</li> <li>• boardroom diversity including gender, age and ethnicity diversity; and</li> <li>• in the case of candidates for the position of Independent Directors, the Nomination Committee shall also evaluate the candidates’ ability to discharge such responsibilities/functions as are expected from Independent Directors.</li> </ul> <p>The Board is currently made up of members with a mix of skill sets, knowledge and experience (e.g. accounting, finance, banking, engineering, legal, marketing/sales, taxation, and business management) and age (36-67).</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board has formalised a policy on diversity. The Board of Turbo is of the view that diversity on the board enhances the decision-making capability of the Company and it improves board discussions process by allowing different perspectives to be included in decision making.</p> <p>The Board composition currently comprises one woman director, Ms Chan Bee Eie, who is a Non-Independent Non-Executive Director. She was appointed to the Board on 16 April 2012. The Board will continue to review the gender diversity and may make adjustment to this aspect in future.</p>	
		<p>The Company also ensure diversity in its management level by having strong female representation at the management level which could potentially be a pipeline for future candidates to be appointed as Directors or Senior Management.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board may utilise variety of independent sources including directors' registry, industry and professional association, open advertisements and independent search firms to identify suitably qualified candidates, if required.</p> <p>The current process with regards to the appointment of new directors to the board is based on the recommendation from the Nomination Committee. The Board relies on the existing network and referrals from directors and major shareholder as primary means to source for new directors as they represent a tried and tested method of sourcing high-calibre directors with a sound understanding of the business.</p> <p>The Directors appointment process is carried out based on a methodical process undertaken by the Nomination Committee. Candidates recommended are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in paragraph 2.20A of the MMLR.</p> <p>Detailed information on the process undertaken by the Nomination Committee including its process of identifying and appointing a candidate can be found in the Terms of Reference of the Nomination Committee on the Company's website at <a href="http://www.turbomech.com.my">www.turbomech.com.my</a></p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is chaired by Encik Azhar Bin Mohamad, the Senior Independent Non-Executive Director of the Company.</p> <p>The Board acknowledges that an effective recruitment and evaluation process of Directors is the bedrock of a high-performing Board. The Board therefore entrusts to Encik Azhar, as an Independent Director, is the most suitable and qualified person to lead the conduct of the process in an objective manner.</p> <p>During the financial year under review, the Chairman of the Nomination Committee has discharged his duties by undertaking the following to:-</p> <ul style="list-style-type: none"> <li>• lead the annual reviewing of Board Effectiveness Evaluation, ensuring that the performance of the Board, Board Committees and each individual director is assessed objectively and holistically;</li> <li>• lead the assessment of Directors' training needs periodically with the aim of devising relevant professional development programmes based on such assessment for recommendation to the Board;</li> <li>• lead the assessment on the size and composition of the Board.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board annually evaluates the performance of Directors along with the governance processes that supports the Board with the aim of improving individual and collective contributions, effectiveness of the Board and its Board Committees. The evaluation process is undertaken by the Nomination Committee (“NC”), supported by the Company Secretary.</p> <p>The Directors complete the relevant questionnaires regarding the effectiveness of the Board and its Board Committees.</p> <p>The NC met once in the financial year ended 31 December 2018, which were attended by all NC members. Below is a summary of the activities undertaken by the Nomination Committee for the financial year ended 31 December 2018:</p> <ul style="list-style-type: none"><li>• Conducted annual assessment on the effectiveness of the Board and Committees covering areas such as Board structure and operation, management relationship with the Board, Board’s role and responsibilities, the required mix of skills and experience of the Directors, time commitments, skills, characters, experiences, integrity and competencies to effectively discharge the role as a Director and reported the findings in the Board meeting.</li><li>• Reviewed and assessed the independence of the Independent Directors of the Company.</li><li>• Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to Company’s Constitution at forthcoming 10th AGM. The Directors standing for retirement by rotation and subject to re-election at the forthcoming AGM are Mr Gan Kok Ten and Mr Tam Juat Hong.</li><li>• Reviewed and discussed the suitable training programme for continuous development of Directors.</li></ul>

	<p>Based on the evaluation results, the Board and the Nomination Committee concluded the following that:-</p> <ul style="list-style-type: none"> <li>(a) The Directors had discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors;</li> <li>(b) The Board and Board Committees had contributed positively to the Group and were operating in an effective manner;</li> <li>(c) The Board Chairman had performed in an excellent manner and contributed to the Board;</li> <li>(d) The performance of the Audit Committee, Nomination Committee and Remuneration Committee were found to be effective and consistently exceeding expectations;</li> <li>(e) The Directors demonstrated good character, experience, integrity, competence and possess the necessary traits and time to effectively serve on the Board or the Company, as the case may be; and</li> <li>(f) The Independent Directors had demonstrated their independence through their engagement in meetings and provided objective challenges to the Management as well as independent judgment to decisions made by the Board.</li> </ul> <p>The Terms of Reference of the Nomination Committee is made available on the Company's website at <a href="http://www.turbomech.com.my">www.turbomech.com.my</a>.</p>	
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		



## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>In determining the remuneration of the Executive Directors, the Company's objective is to provide fair and competitive remuneration to its Board in order for the Company to benefit by attracting and retaining a high quality team.</p> <p>The remuneration/fees of the Non-Executive Directors were determined by the Board as a whole based on level of responsibilities undertaken and contributions to the Board. Each individual Director concerned abstained from discussion on their own remuneration/fees.</p> <p>The payment of Directors' fees and benefits payable to the Directors of the Company will be subject to the shareholders' approval at the Company's forthcoming Annual General Meeting ("AGM").</p> <p>The Executive Directors' remuneration packages are structured to link rewards to corporate and individual performance. Performance is measured against the results achieved by the Group and individual achievement against targets set at the beginning of each year.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee consists of three members, wholly of Non-Executive Directors, namely Ms Chan Bee Eie, the Chairman of the Remuneration Committee, Encik Omar Bin Mohamed Said and Encik Azhar Bin Mohamad.</p> <p>The Remuneration Committee is responsible for considering and recommending the following matters to the Board for its approval:-</p> <ul style="list-style-type: none"><li>(i) To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director drawing from outside advice as necessary.</li><li>(ii) To recommend to the Board any performance related pay schemes for Executive Directors.</li><li>(iii) To review Executive Directors' scope of service contracts.</li><li>(iv) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions.</li></ul> <p>The Remuneration Committee's Terms of Reference is periodically reviewed by the Board and disclosed on the Company's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## 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.

<b>Application</b>	:	Applied																																																																																																							
<b>Explanation on application of the practice</b>	:	<p>Details of Directors' remuneration (both the Company and the Group) who served during the financial year ended 31 December 2018 are as follows:-</p> <p><u>The Group</u></p> <table border="1"> <thead> <tr> <th rowspan="2">Category</th> <th colspan="6">Remuneration</th> </tr> <tr> <th>Fees (RM)</th> <th>Salary (RM)</th> <th>Bonus (RM)</th> <th>Benefits-in-kind (RM)</th> <th>Emoluments (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td><b>Executive Directors</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Gan Kok Ten</td> <td>-</td> <td>233,257</td> <td>34,988</td> <td>45,537</td> <td>-</td> <td>313,782</td> </tr> <tr> <td>Nasaruddin Bin Mohamed Ali</td> <td>20,000</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>20,000</td> </tr> <tr> <td><b>Non-Executive Directors</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Omar Bin Mohamad Said</td> <td>18,000</td> <td>-</td> <td>-</td> <td>-</td> <td>5,000</td> <td>23,000</td> </tr> <tr> <td>Chan Bee Eie</td> <td>18,000</td> <td>-</td> <td>-</td> <td>-</td> <td>10,000</td> <td>28,000</td> </tr> <tr> <td>Azhar Bin Mohamad</td> <td>18,000</td> <td>-</td> <td>-</td> <td>-</td> <td>10,000</td> <td>28,000</td> </tr> <tr> <td>Tam Juat Hong</td> <td>18,000</td> <td>-</td> <td>-</td> <td>-</td> <td>10,000</td> <td>28,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>92,000</b></td> <td>233,257</td> <td>34,988</td> <td>45,537</td> <td>35,000</td> <td>440,782</td> </tr> </tbody> </table> <p><u>The Company</u></p> <table border="1"> <thead> <tr> <th rowspan="2">Category</th> <th colspan="6">Remuneration</th> </tr> <tr> <th>Fees (RM)</th> <th>Salary (RM)</th> <th>Bonus (RM)</th> <th>Benefits-in-kind (RM)</th> <th>Emoluments (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td><b>Executive Directors</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Gan Kok Ten</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Category	Remuneration						Fees (RM)	Salary (RM)	Bonus (RM)	Benefits-in-kind (RM)	Emoluments (RM)	Total (RM)	<b>Executive Directors</b>							Gan Kok Ten	-	233,257	34,988	45,537	-	313,782	Nasaruddin Bin Mohamed Ali	20,000	-	-	-	-	20,000	<b>Non-Executive Directors</b>							Omar Bin Mohamad Said	18,000	-	-	-	5,000	23,000	Chan Bee Eie	18,000	-	-	-	10,000	28,000	Azhar Bin Mohamad	18,000	-	-	-	10,000	28,000	Tam Juat Hong	18,000	-	-	-	10,000	28,000	<b>Total</b>	<b>92,000</b>	233,257	34,988	45,537	35,000	440,782	Category	Remuneration						Fees (RM)	Salary (RM)	Bonus (RM)	Benefits-in-kind (RM)	Emoluments (RM)	Total (RM)	<b>Executive Directors</b>							Gan Kok Ten	-	-	-	-	-	-
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	Omar Bin Mohamad Said	18,000	-	-	-	5,000	23,000
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	Azhar Bin Mohamad	18,000	-	-	-	10,000	28,000
	Tam Juat Hong	18,000	-	-	-	10,000	28,000
	<b>Total</b>	<b>92,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,000</b>	<b>127,000</b>
<b>Explanation for departure</b>	:						
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
<b>Measure</b>	:						
<b>Timeframe</b>	:						

### 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.

<b>Application</b>	:	Departure												
<b>Explanation on application of the practice</b>	:													
<b>Explanation for departure</b>	:	<p>The remuneration of the top five (5) Senior Management are not disclosed on named basis in the bands of RM50,000 for confidentiality reason as it may be detrimental to the interest of the Company and individuals.</p> <p>Nevertheless, below is the remuneration of the top five (5) management of the Group falls into the following bands of remuneration:-</p> <table border="1"> <thead> <tr> <th>Range of Remuneration</th> <th>Top five (5) salaries</th> </tr> </thead> <tbody> <tr> <td>RM300,001 – RM350,000</td> <td>3</td> </tr> <tr> <td>RM350,001 – RM400,000</td> <td>-</td> </tr> <tr> <td>RM400,001 – RM450,000</td> <td>1</td> </tr> <tr> <td>RM650,001 – RM700,000</td> <td>1</td> </tr> <tr> <td><b>Total</b></td> <td><b>5</b></td> </tr> </tbody> </table> <p>The Board wishes to give assurance that the remuneration of the Management commensurate with their individual performances, taking into consideration the Group's performance.</p>	Range of Remuneration	Top five (5) salaries	RM300,001 – RM350,000	3	RM350,001 – RM400,000	-	RM400,001 – RM450,000	1	RM650,001 – RM700,000	1	<b>Total</b>	<b>5</b>
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<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
<b>Measure</b>	:													
<b>Timeframe</b>	:													

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Mr Tam Juat Hong is an Independent Director and was appointed as Chairman of Audit Committee on 1 June 2016. The Chairman of the Board is Mr Gan Kok Ten.</p> <p>As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.</p> <p>Mr Tam Juat Hong is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p> <p>His full profile can be found on page 13 of the Annual Report.</p> <p>The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of Reference of the Audit Committee, which is also available on the Company's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Terms of Reference of the Audit Committee require 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.</p> <p>This is to ensure that the independence of the audit process is safeguarded from the potential threats and conflicts which may arise when a former key audit partner joins the Company.</p> <p>To date, the Company has not appointed any former key audit partner as Director of the Company.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Audit Committee is responsible for assessing the capabilities and independence of the external auditors and to also recommend to the Board on their appointment, re-appointment or termination of their services to the Company.</p> <p>During the financial year, the Audit Committee has monitored and reviewed the performance and independence of the External Auditors, namely, Messrs Ernst &amp; Young and satisfied with their audit service and recommended to Board on the reappointment of External Auditors on 25 February 2019.</p> <p>During the financial year, the Audit Committee has also met with the external auditors twice in the absence of Management.</p> <p>For the audit of the financial year ended 31 December 2018, Messrs Ernst &amp; Young provided the Audit Committee with a written assurance confirming that they were and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Whilst the Company does not have a formal policy in place to assess the External Auditors, the Audit Committee will assess and review their suitability, objectivity and independence annually.
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee assists the Board in the effective discharge of its responsibilities in the area of financial reporting of the Group. The Audit Committee currently comprises majority of Independent Non-Executive Directors, namely Mr Tam Juat Hong (Chairman), Encik Azhar Bin Mohamad and Ms Chan Bee Eie.</p> <p>The Audit Committee possess a wide range of skills and the requisite financial literacy to discharge its duties effectively. Mr Tam Juat Hong is a member of MIA and the Malaysian Institute of Certified Public Accountants, and thus, fulfilling the requirement of Paragraph 15.09(1)(c) of the MMLR of Bursa Securities which calls for one (1) member of the Audit Committee to be a member of a professional accountancy body.</p> <p>Through the Nomination Committee, the Board reviews the terms of office of the Audit Committee and assess the performance of the Audit Committee annually.</p> <p>All members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules to enable them to sustain their active participation in the functions of the Audit Committee. Details of their training can be seen on page 27 of the 2018 Annual Report.</p> <p>During the Audit Committee Meetings, the members of the Audit Committee were briefed by the external auditors on the following key areas:</p> <ul style="list-style-type: none"><li>• Financial Reporting developments;</li><li>• Adoption of Malaysian Financial Reporting Standards;</li><li>• Malaysian Code on Corporate Governance (where appropriate); and</li><li>• Other changes in regulatory environment.</li></ul>

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Turbo is ultimately responsible for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework. The Board has in place an ongoing process for identifying, evaluating, monitoring and managing the principal risks that may affect the achievement of business objectives of the Group.</p> <p>The Board through Risk Management Committee reviews the key risks identified regularly to ensure sufficient measures are taken to mitigate the risk. The Board is assisted by the Audit Committee and Risk Management Committee in reviewing the adequacy and the effectiveness of the Company's risk management and internal control framework.</p> <p>The Risk Management Committee reports its activities and makes recommendations to the Board. An annual comprehensive risk management report on salient changes to the key risk profile is tabled to the Board to facilitate timely assessment. Any major changes to risks or emerging significant risk of the business units in the Group together with the appropriate actions and/or strategies to be taken, will be brought to the attention of the Board by the Chairman of the Risk Management Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Management is responsible to manage the key business risks of the Group and implement appropriate internal control systems to manage those risks. The Board via the Risk Management Committee reviews the adequacy and effectiveness of the risk management framework and system of internal controls, and the policies and compliance procedures with respect to business practices.</p> <p>The key features of Turbo’s risk management framework and practices are disclosed in the Statement of Risk Management and Internal Control as part of the 2018 Annual Report, including the adoption of internationally recognised risk management frameworks, key risks areas and relevant risk responses in mitigating the risk exposures.</p> <p>The Internal Audit function assists the Risk Management Committee in evaluating the effectiveness of the company’s risk management and internal control system through its Internal Audit Plan. The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit Function of the Company is carried out by the outsourced Internal Auditors, UHY Advisory (KL) Sdn Bhd to provide an independent assurance to the Board on the effectiveness and adequacy of the Group’s system of internal control. Details of the internal audit function are set out in the Statement of Risk Management and Internal Control and Audit Committee Report.</p> <p>The Head of internal audit reports directly to the Audit Committee and assists the Audit Committee in the discharge of its duties and responsibilities.</p> <p>The Internal Auditor attends and reports at Audit Committee meeting on reviews conducted once a year.</p> <p>Evaluation of the effectiveness of the internal audit function for the period from 1 January 2018 to 31 December 2018 was conducted on 25 February 2019 by the Audit Committee.</p> <p>A private session was conducted between Audit Committee and Internal Auditors without the presence of Executive Directors and Management to ensure that the independence and objectivity of the Internal Auditors were not compromised.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>During the financial year ended 31 December 2018, UHY Advisory (KL) Sdn Bhd provided a total of four (4) personnel to the Internal Audit function. All the personnel were free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of their work.</p> <p>All internal audit work carried out is guided by the International Professional Practices Framework promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors. During the financial year ended 31 December 2018, the total internal cost incurred is approximately RM16,000.00.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognizes the importance of maintaining transparency and accountability to its shareholders as a key element of good corporate governance and thus, maintains a high level of disclosure and communication with its shareholders through disclosure to Bursa Securities.</p> <p>The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through the Annual Report, announcements to Bursa Securities, quarterly results, AGM, and Group website.</p> <p>Apart from the mandatory public announcements through Bursa Securities, the Company's website, <a href="http://www.turbomech.com.my">www.turbomech.com.my</a> is accessible by the shareholders, investors and members of the public to obtain information on the Company's corporate information, operation activities and financial performance.</p> <p>Stakeholders may at any time direct questions or request publicly available information via the communication channels provided in the website. The Company places great importance on stakeholders' privacy and will not disclose information of stakeholders unless otherwise required by law.</p> <p>The Board has identified Encik Azhar Bin Mohamad as the Senior Independent Non-Executive Director, to address any valid and appropriate issues raised by shareholders, via email address at: <a href="mailto:info@turbo-mech.com">info@turbo-mech.com</a>.</p> <p>The Board also perceives the general meetings as an ideal opportunity to communicate with its shareholders. During the AGM, shareholders are encouraged to participate in general meetings and before any proposed resolution is put to a vote, the Chairman of the meeting will open the floor to questions so that all shareholders' queries could be adequately addressed.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a Large Company as defined by the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the significance of the AGM as a platform for direct and meaningful communication between the Board and the Company's shareholders. As such, the Board strives to ensure that shareholders are accorded with sufficient time to consider the resolutions that will be discussed and decided upon at the AGM.</p> <p>In this regard, the Notice to the AGM in 2018 and the upcoming AGM were provided more than 28 days prior to the AGM which will be held on 27 May 2019 going above and beyond Section 316(2) of Companies Act 2016 and Paragraph 7.15 of the MMLR of Bursa Securities which call for a 21-days' notice period. The additional time given to shareholders allows them to make the necessary arrangements to attend and participate in person through corporate representatives, proxies or attorneys. In addition, the shareholders are accorded with sufficient time to consider the resolutions that will be discussed and decided upon at the AGM.</p> <p>The notice for the AGM outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM.</p> <p>In order to achieve the widest possible dissemination, the notice of AGM is placed both in a nationally circulated newspaper and the Company's website at <a href="http://www.turbomech.com.my">www.turbomech.com.my</a> besides being dispatched to shareholders.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All Directors including the Chair of all the respective Board Committees attended the last AGM to engage directly with shareholders and be accountable for their stewardship of the Company.</p> <p>The Board encouraged shareholders to actively participate during the Questions and Answers session at the AGM. All questions raised by the shareholders and proxies were attended accordingly.</p> <p>The Minutes of the 9th AGM in 2018 was made available on the Company's website in accordance with paragraph 9.21(2) of MMLR of Bursa Securities.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board regards general meetings as a key platform for shareholders to exercise their rights and have their “voices” heard through the votes cast by them. In accordance with paragraph 8.29A(1) of the MMLR of Bursa Securities, all resolutions put to vote will be carried out by poll voting.</p> <p>The Board has given foremost consideration to the location of its general meetings to ensure it is easy to reach or easily accessible to shareholders. In addition, the number of registered shareholders physically attending the general meetings of the Company is considered small and manageable by the Company. In view thereof, electronic voting which would incur higher cost is not deemed practicable at this juncture.</p> <p>In order to ensure shareholders are able to conveniently travel to the Company’s upcoming AGM, the AGM will be held at Tiara Rini Ballroom, The Royale Chulan The Curve Hotel, 6 Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan. This venue is in close proximity of public transportation locality such as the Mutiara Damansara MRT station.</p> <p>Currently, shareholders whom are unable to attend and vote at the Annual General Meeting of the Company are encouraged to submit the proxy form of the Company to the Share Registrar. Hence, this allows them to vote in absence.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



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

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

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