

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5197
COMPANY NAME : FOCUS LUMBER BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is collectively responsible for the overall conduct of the Group's business and takes full responsibility for the performance of the Company. The Group has put in place a Board Charter that sets out, among others, the responsibilities of the Board.</p> <p>The following are among the key responsibilities of the Board:</p> <ul style="list-style-type: none"> (a) Reviewing and adopting the Company's strategic plans; (b) Overseeing the conduct of the Company's business; (c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures; (d) Succession planning; (e) Overseeing the development and implementation of a shareholder communications policy for the Company; and (f) Reviewing the adequacy and integrity of management information and internal control system of the Company. <p>Board committees were established to assist the Board in carrying out its responsibilities. The Board delegates certain responsibilities to three committees, namely Audit Committee, Nomination Committee, and Remuneration Committee. The powers delegated to the committees are set out in the Terms of Reference of each committee which is accessible via the Company's website at www.focuslumber.com.my.</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 1.2

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>Datuk Aznam bin Mansor is the Chairman of the Company since the Company was listed in April 2011. He leads and manage the Board performance by providing leadership guidance for the Board so that the Board can perform its responsibilities effectively.</p> <p>The Chairman is responsible for:-</p> <ul style="list-style-type: none">i) Ensures that all key issues related to the Company are discussed and sufficient time for deliberation on key matters are given.ii) Encourages active participation, allows views including dissent to be freely expressed and Facilitates the effective contribution of all directors at Board meetings.iii) Conducts of the Board's functioning, including establishing the agenda for Board meetings in consultation with the Managing Director, leading Board meetings and discussion and ensuring that the Board behaves in accordance with the Code of Conduct for Directors and Executivesiv) Ensures that the Directors receive accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge their duties.v) Ensures the views of shareholders are communicated to the Board as a whole, and that governance and strategy issues are discussed with major shareholders.vi) Leads the Board in establishing and monitoring good corporate governance practices in the Company <p>He works together with other Board members in ensuring that the Group's objectives are achieved.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

Practice 1.3

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

Application	: Applied
Explanation on application of the practice	<p>The positions of Chairman and Managing Director ("MD") are held by different individuals with their roles clearly defined in the Board Charter.</p> <p>The Chairman is Datuk Aznam bin Mansor whilst the MD of the Company is Mr Lin Hao Wen.</p> <p>The Chairman is primarily responsible for the orderly conduct and working of the Board by ensuring that all its required functions and responsibilities are met whilst the MD has the overall responsibility for the day-to-day running of the Group's business operations and implementation of Board policies and decisions. The separation of power seeks to facilitate an appropriate balance of power to prevent any single individual from dominating deliberations and the decision-making process.</p> <p>The MD is responsible for:</p> <ul style="list-style-type: none">(a) Day-to-day management of the business and affairs of the Group;(b) The development (in conjunction with the Board) and implementation of short, medium and long-term corporate strategies for the Group, preparing business plans and reports with senior management and reporting/presenting to the Board on current and future initiatives;(c) Managing a team of executives responsible for all functions contributing to the success of the Group;(d) Ensuring that the Group has appropriate risk management practices and policies in place;(e) The efficient and effective operation of the Group;(f) The assessment of business opportunities which are of potential benefit to the Group;(g) Bringing material and other relevant matters to the attention of the Board in an accurate and timely manner; and(h) Overseeing shareholder communications. <p>The respective duties and responsibilities of the Chairman and the MD are contained in the Board Charter.</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 function of Company Secretary is outsourced to Tricor Corporate Services Sdn Bhd, an external consultant, on corporate secretarial matters and compliance. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016 as they are members of The Malaysian Institute of Chartered Secretaries and Administrators.</p> <p>The Company Secretaries of the Company carried out, among others, the following tasks:-</p> <ul style="list-style-type: none">i) Advised the Board on issues relating to compliance with provisions of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Companies Act 2016 ("the Act") and other relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as the advocate adoption of sound corporate governance best practices to be maintained by the Company.ii) Managed all Board and Board Committees' meeting logistics. Attended all Board meetings and ensured that the minutes of all Board and Board Committees' meetings are properly recorded and kept.iii) Facilitated board communications and ensured that the deliberations performed at Board and Board Committees' meetings are properly conveyed to the relevant Management personnel for further actions.iv) Advised the Board on fulfilling the fiduciary roles and responsibilities in shaping the corporate direction of the Company.v) Assisted the Company to ensure that the processes and proceedings of the Annual General Meeting are managed properly.vi) Monitored the development in corporate governance and assisted the Board to apply governance practices to meet the Board's needs and stakeholders' expectations.
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>Under the Company's Board Charter, all Directors have the same and unrestricted right of access to information relevant to the furtherance of their duties and responsibilities as directors of the Company.</p> <p>To facilitate the respective Directors' schedule planning, an annual meeting calendar is prepared and circulate to the Board in advance of every new year. The meeting calendar comprised of the scheduled dates for Board and Board Committees meetings, closed period reminders as well as the targeted dates for the announcements of the Company's quarterly results.</p> <p>The Notice of the Board and Committee meetings is circulated to the Board and Committee members at least seven days before the respective meetings are held. The meeting materials (Board papers) are also circulated to the Directors in sufficient time before the meeting days. This would enable the Directors to have sufficient preparation time and information to make an informed decision at each meeting.</p> <p>Management will ensure that the meeting materials are compiled and circulated to the Board and Board Committees on timely manner. For follow up items, Management will ensure that appropriate actions had been taken to resolve the action items and update the Board and Board Committees in the respective meetings accordingly.</p> <p>Upon the conclusion of respective Board and Board Committees' meetings, the Company Secretaries would document the deliberations and decisions made at the meetings into the minutes.</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

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 Company has established a Board Charter which sets out the role, composition and responsibilities of the Board within the governance structure of the Company and its wholly owned subsidiary(Group). It addresses, among others, the following matters:</p> <ul style="list-style-type: none">(a) Duties and responsibilities of Board members, Chairman, Managing Director, Senior Independent Director, Independent Directors, Board Committees and Secretary;(b) Structure and composition of the Board;(c) Code of Conducts;(d) Matters reserved for the Board;(e) Remuneration of Directors;(f) Directors' Trainings;(g) Proceedings of Meetings;(h) Investor Relations and Communications with Stakeholders and(i) Access to information and reporting. <p>Our Board Charter is published at company's website at www.focuslumber.com.my and it was reviewed annually. The Board Charter of the Company was last reviewed on 29 March 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

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	:	Departure
Explanation on application of the practice	:	<p>The Company has established a Code of Conduct and Ethics which is applicable to all our employees and its connected person(s). The Code of Conduct and Ethics addresses, among others, the following matters:</p> <ul style="list-style-type: none"> (a) Conflict of interest; (b) Abuse of Power; (c) Corruption; (d) Insider Trading; (e) Money Laundering; (f) Gift and Entertainment; (g) Company Property; (h) Confidential Information; (i) Fair Dealing; (j) Compliance with laws and regulations; and (k) Report on violation. <p>The Code of Conduct and Ethics is published at the Company's website at www.focuslumber.com.my was reviewed periodically.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group is committed in preserving the interest and reputation at all times. Our Whistleblowing Policy provides an avenue for all the employees to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate way. The policy is designed to support the Company's values, ensure employees can raise concerns without fear of reprisals; and provide a transparent and confidential process for dealing with concerns.</p> <p>If any employee believes reasonably and in good faith that malpractice exists in the work place, the employee should report this immediately to his/her manager. However, if for any reason the employee is reluctant to do so, then the employee should report the concerns to either the:</p> <p>(a) Chairman of the Board (Email address: am@lh-ag.com); or (b) Audit Committee Chairman (Email address: nyen@wyncorp.com.my).</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of the Company comprises six members, of which three are Independent Non-Executive Directors (“Independent Director”) and three Executive Directors. The Independent Directors of the Company are:-</p> <p>(a) Datuk Aznam bin Mansor; (b) Wong Yoke Nyen; and (c) Ng Tian Meng</p> <p>The presence of half of the Board being Independent Directors allows a more effective check and balance function and oversight of the Board to safeguard the interest of the Company and its minority shareholders.</p> <p>None of the Independent Directors are affiliated to the Executive Directors of the Company. All the Independent Directors met the criteria of independence pursuant to the MMLR of Bursa Securities.</p> <p>The Nominating Committee of the Company had assessed the Board composition and is satisfied that the current size and composition of Directors is adequate to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom.</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 4.2

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 Board has adopted a Diversity Policy which describes the Company's commitment to ensuring a diverse mix of skills and talent exist amongst its Directors, officers and employees, to enhance Company performance. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees. The Diversity policy is made available at the Company's website www.focuslumber.com.my.</p> <p>The Nomination Committee was delegated by the Board to continuously look for people with diverse skills and talent that can contribute to the Company such as necessary skills, knowledge, expertise, professionalism, integrity and time commitment. Upon identifying the appropriate candidate to be appointed as Director or Board Member, the Nomination Committee will make their recommendations to the Board for approval.</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 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has adopted a Diversity Policy which describes the Company’s commitment to ensuring a diverse mix of skills and talent exist amongst its Directors, officers and employees, to enhance Company performance. Diversity may result from a range of factors which include gender.</p> <p>The Diversity Policy is disclosed in the annual report and is also available at the Company’s website www.focuslumber.com.my.</p> <p>The board currently does not have any women directors. However, the Company recognises the importance of having participation of women in its Board and is constantly looking for suitable women candidates to be appointed into the Board.</p> <p>The Company will not rush into identifying women to be appointed in the Board and senior management team as the Company wishes to select women candidates who are able to contribute positively to the Company.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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 responsible to assess and recommend to the Board, the candidates for all directorships, in consideration of the candidates:</p> <ul style="list-style-type: none"> (a) skills, knowledge, expertise, and experience; (b) professionalism; (c) integrity; (d) ability to discharge responsibilities/functions; and (e) time commitment. <p>Nomination Committee may rely on recommendations from existing board members, management or major shareholders in looking for suitable and qualified candidates. However, Nomination Committee also utilises other independent sources, such as independent recruiting firm to identify suitable qualified candidates.</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	:	<p>Our Nomination Committee is chaired by Datuk Aznam bin Mansor, our Chairman and also Senior Independent Non-Executive Director of the Company.</p> <p>The other members of Nomination Committee are Mr Wong Yoke Nyen and Mr Ng Tian Meng, both are also Independent Directors.</p> <p>The Nomination Committee Chairman leads the annual review of succession planning of the Board and senior management, Board and Board Committees' effectiveness, ensuring that the performance of each individual director is independently assessed.</p> <p>The profile of the Nomination Committee can be viewed in the Annual Report 2017 and the Terms of Reference of the NC is available at the Company's website www.focuslumber.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

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 (NC”) is empowered by the Board through its Terms of Reference to assess annually, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each existing individual Director and thereafter, recommend its findings to the Board.</p> <p>The evaluation documents were endorsed by the NC and approved by the Board before it was distributed to the respective Board members for further input. Contribution and performance of Board, Board Committees and each individual Director, including the independence of Independent Directors will be assessed. Trainings attended by each individual Director will also be reviewed by the NC.</p> <p>The outcomes of the evaluation would be tabled during the NC meeting while discussion on improvement to be undertaken will be carried out on weaknesses identified.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	: Applied
Explanation on application of the practice	<p>The Remuneration Committee assist the Board in fulfilling its oversight responsibility to shareholders by ensuring that the Company has a coherent remuneration policy that fairly and responsibly reward individuals in proportionate to their performance.</p> <p>The Group has adopted a Remuneration Policy and Procedure to provide a framework for remuneration paid to the members of the Board and the Management Team of the Company.</p> <p>The Remuneration Policy recognises the need for the Company to attract, motivate and retain qualified members of the Board and Management Team as well as aligning the interests of the Board with the interests of the Company's shareholders. The remuneration of the Board and Management Team shall be designed to support the strategic goals of the Company and to promote value creation for the benefit of the shareholders of the Company.</p> <p>The Remuneration Policy embodies the following principles:</p> <ul style="list-style-type: none">• Providing fair, consistent and competitive rewards to attract and retain high caliber executives;• Motivating the Company's Directors and executives to achieve superior performance;• A remuneration framework that incorporates both short and long term incentives linked to Company performance and total shareholder return; and• Building a partnership between the Company and its Directors and Management Team by encouraging share ownership in the Company by the Directors and Management Team. <p>Remuneration package offered to the Independent Non-Executive Directors of the Company reflects the experience, expertise and level</p>

	<p>of responsibilities undertaken by the Independent Non-Executive Directors. The Directors' fees payable to the Independent Directors and any benefit payable to the Directors of the Company shall from time to time be determined and approved by the shareholders at the Annual General Meeting in accordance with Section 230 of the Companies Act 2016.</p> <p>Basic salaries of the Executive Directors was reviewed by the Remuneration Committee and any revision to it will be reviewed and recommended by the Remuneration Committee to the Board for approval, taking into account the individual performance, economic condition, inflation price index and the achievement of budget. Bonuses payable to the Executive Directors would also subject to review by the Remuneration Committee and approval by the Board.</p>	
<p>Explanation for departure</p>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	:	
<p>Timeframe</p>	:	

Intended Outcome

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has established a Remuneration Committee, comprises of the Non-Executive Directors and Executive Directors as follows:-</p> <p>Mr Ng Tian Meng – Chairman/ Independent Non-Executive Director Mr Wong Yoke Nyen – Member/ Independent Non-Executive Director Lin Hao Wen - Member/ Managing Director</p> <p>The Remuneration Committee is responsible for recommending to the Board the remuneration of the Executive Directors. In addition, the Remuneration Committee would also review and recommend to the Board on the remuneration to the board on the remuneration of Non-Executive Directors, particularly on whether the remuneration remains appropriate to each directors' contribution, by taking into account the level of expertise, commitment and responsibilities undertaken.</p> <p>The respective directors shall play no part in decisions on their own remuneration. The Directors who are shareholders should abstain from voting at general meetings to approve their fees.</p> <p>The Term of Reference of Remuneration Committee is published on company's website at www.focuslumber.com.my</p> <p>In compliance with the MCGG 2017, the Nomination Committee had reviewed the composition of the Remuneration Committee. With effect from 6 February 2018, the Remuneration Committee comprises exclusively of Independent Non-Executive Directors as follows:-</p>

	Mr Ng Tian Meng – Chairman Mr Wong Yoke Nyen - Member Datuk Aznam Bin Mansor - Member	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure on named basis for the remuneration of individual directors is set out at page 31 of the Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Not applicable - Step Up 7.3 adopted	
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

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	:	Adopted
Explanation on adoption of the practice	:	The detailed disclosure on named basis for the remuneration of each member of senior management is set out at page 31 of the Annual Report 2017.

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	:	<p>The Board has established an Audit Committee which comprised exclusively Independent Directors.</p> <p>The Chairman of Audit Committee is Mr Wong Yoke Nyen whilst the Chairman of the Board is Datuk Aznam bin Mansor.</p> <p>The Audit Committee is authorised by the Board to investigate any activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and members of the senior management of the Company.</p> <p>The full details of the Terms of Reference of the Audit Committee are published in the Company's website at www.focuslumber.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

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	:	At present, none of the Audit Committee members were former key audit partners of the Company's External Auditor. The Audit Committee recognises the importance of independence of its External Auditor and that no possible conflict of interest whatsoever should arise. Hence, the Audit Committee has incorporated a policy in its Terms of Reference that a former key audit partner is required to observe a cooling-off period of at least two years before being 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>Under the Terms of Reference of the Audit Committee, the Audit Committee is responsible to carry out a review of the performance of External Auditor, including assessment of suitability and independence of External Auditor in the performance of their obligations as External Auditor.</p> <p>During FY 2017, the AC met with the external auditors twice without the presence of Executive Directors and Management to discuss their audit plan and audit findings.</p> <p>The Audit Committee would obtain the written assurance from the External Auditors which confirmed that they were and had been independent throughout the conduct of the audit engagement in accordance to the terms of all relevant professional and regulatory requirements, including the By-laws of the Malaysian Institute of Accountants.</p> <p>The Audit Committee has conducted an annual assessment of the suitability and independence of the External Auditor which encompassed the performance of the External Auditor, including the quality of services, sufficiency of resources, communications and interaction with Audit Committee, and their independence, level of non-audit fees, rotation of audit partner, objectivity and professionalism. Assessment questionnaires were used as a tool to obtain input from the Accountant.</p> <p>The Audit Committee was satisfied with the suitability of the External Auditors of the Company based on the quality of audit, performance, competence and sufficiency of resources the audit team provided to the Company.</p> <p>Having regard to the outcome of the annual assessment of External Auditors, the Board had on 28 March 2017 through the Audit Committee assessed the suitability and independence of the External Auditor and recommended the re-appointment of External Auditors for the financial year 2017 to the shareholders for approval at the 27th Annual General Meeting held on 17 May 2017.</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 comprised solely Independent Directors i.e. (1) Mr Wong Yoke Nyen – Chairman (2) Datuk Aznam bin Mansor – Member (3) Mr Ng Tian Meng – Member.

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>All members of Audit Committee are financially literate and possess a wide range of necessary skills to discharge its duties. The qualification and experience of the individual Audit Committee member are disclosed in the Directors' Profile on pages 4 to 6 of the Annual Report.</p> <p>Audit committee members attend training from time to time to ensure that all the members are kept abreast of the latest developments in the areas of the capital markets, regulatory and corporate governance while equipping themselves with the know-how to contribute further to the effectiveness of the Board.</p> <p>Details of the training programmes attended by each member of the Audit Committee were set out on page 33 of our Annual Report.</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 is committed to preserve throughout the Group a sound system of risk management and internal controls and good corporate governance practices.</p> <p>Management is responsible for assisting the Board in implementing the processes for identifying, evaluating, monitoring and reporting risks and internal controls throughout the period. The Board is assisted by the Audit Committee to oversee the implementation of a system of risk management and internal controls.</p> <p>A Management Risk Management Committee, comprising a Risk Manager and Head of Departments from all functions is established to assist the Audit Committee in overseeing the risk management issues of the Group and to report to the Audit Committee directly on the Group's overall co-ordination of risk management activity and ensuring that necessary processes are in place. The Risk Management Committee would meet with the Audit Committee at least twice a year to review risks that may affect the achievement of the Company's business objectives.</p> <p>The Group has established a Risk Management and Internal Control Framework, which was set out on its Statement on Risk Management and Internal Control on page 42 to 47 of the Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Management is responsible for reviewing risks on an on-going basis so that risks impeding the achievement of objectives are adequately identified, evaluated, managed and controlled. Risk Management Committee prepares a report detailing the significant risks, the status of risk reviews and the status of implementation of actions plans for review by the Audit Committee on a semi-annually basis.</p> <p>The operating units that the Risk Management Committee would conduct the review on are accounts & admin, human resource, safety & health, sales & marketing and import & export, purchasing, production and maintenance.</p> <p>The further details are contained in the Statement of Risk Management and Internal Control which is on page 42 to 47 of our Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - 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	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function is outsourced to GovernAce Advisory & Solution Sdn Bhd, a professional internal audit service provider. This would ensure that the outsourced internal auditor is independent as they are not involved in the operations of the Group.</p> <p>The outsourced internal auditor reports directly to the Audit Committee and is headed by a management team who is registered with professional bodies. The internal auditor plays a pivotal role in improving the effectiveness of risk management, control and governance processes of the Group's operations through its recommendations for improvement in internal controls and consulting services on related matters.</p> <p>The Audit Committee would also review the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions. The Audit Committee meets with the Internal Auditor at least four times a year to review the internal audit function and to assure itself on the soundness of internal control system.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group’s internal audit function is outsourced to a professional internal audit service provider, GovernAce Advisory & Solutions Sdn Bhd, and this ensure that the outsourced internal auditor is independent as it has no involvement in the operations of the Group.</p> <p>The outsourced Internal Auditor is headed by a management team who are registered with professional bodies which comprised:</p> <ul style="list-style-type: none">(a) Director – Accountant registered with Malaysian Institute of Accountant (“MIA”) , Certified Practising Accountant with CPA Australia, Certified Internal Auditor, and chartered member of Institute of Internal Auditors Malaysia (“CMIIA”);(b) Manager – Associate Member of the IIAM (“AIIA”) <p>Mr Ryan Chong, Director of GovernAce, will lead the team on the Group engagement and he is assisted by Mr Alex Wong, Manager and Ms Ong Ai Sim, Senior Consultant. All project management and reporting will be conducted by either Mr Ryan Chong, Mr Alex Wong or Ms Ong Ai Sim.</p> <p>The outsourced internal auditor carried out internal audits on various operation units within the Group based on the internal control review audit plan approved by the Audit Committee.</p> <p>The Group’s Internal Audit plays a pivotal role in improving the effectiveness of risk management, control and governance processes of the Group’s operations through its recommendations for improvement in internal controls and consulting services on related matters based on the International Professional Practices Framework (“IPPF”) guided by Institute of Internal Auditors.</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 recognises the importance of an effective communications channel between the Board, stakeholders, institutional investors and the investing public at large, both in Malaysia and internationally, with the objective of providing a clear and complete picture of the Group's performance and position as much as possible.</p> <p>The Company is committed to keeping the shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via the Group's annual reports, circulars to shareholders, quarterly financial results and the various prescribed announcements made to Bursa Securities from time to time in the Bursa Securities' website or via the Company's website.</p> <p>The Board is also of the view that the Annual General Meeting is an important opportunity to meet shareholders and address their concerns. At the Annual General Meeting, shareholders are encouraged and will be given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are encouraged to participate in the open question and answer session on the resolutions to be proposed or about the Group's operations in general.</p> <p>Besides, stakeholders can at any time seek clarification or raise queries by email or phone. Primary contact details are set out at the Group's website.</p> <p>In addition, the Company also announce its quarterly financial results via Bursa LINK immediately after the financial results are approved at the Board Meetings. This is important in ensuring equal and fair access to information is provided to the public investors, so that the investors are able to make informed decisions.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

There is 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 a not under the category of large companies as defined in 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	:	<p>The last AGM of the Company was held on 17 May 2017 and the Notice of the AGM along with accompanying Annual Report was issued on 21 April 2017, i.e. more than twenty-one (21) days' notice required under the Companies Act 2016 and the Main Market Listing Requirements.</p> <p>For the forthcoming 28th Annual General Meeting, the Company will issue and dispatch the Notice of the 28th AGM to the shareholders at least twenty-eight (28) days prior to the date of the 28th Annual General Meeting which scheduled to be held on 4 June 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Most of the Directors attended the Annual General Meeting in 2017. Due to unforeseen circumstances, Datuk Aznam bin Mansor, the Chairman of the Company, was absence at the Company's 27th Annual General Meeting held on 17 May 2017.</p> <p>Nonetheless, the Chairmen of the Audit Committee and Remuneration Committee were present at the Annual General Meeting to provide responses to the shareholders if there are any questions addressed to them.</p> <p>For the forthcoming 28th AGM, all Directors will attend the 28th AGM scheduled on 4 June 2018.</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

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's 27 th Annual General Meetings had been held in the Kota Kinabalu, Sabah, at locations which are accessible by public transport and not in remote location. All the resolutions set out in the Notice of the 27 th Annual General Meeting were put to vote by poll. In year 2017, the number of holders is not large to warrant the use of the technology to facilitate remote shareholders' participation at Annual General Meeting or voting in absentia.
	:	The forthcoming 28th AGM on 4 June 2018 will be held at Zara's Boutique Hotel, Harbour City, Jalan Pantai Baru, Sembulan, 88100 Kota Kinabalu, Sabah. The said hotel and the surrounding commercial premises have ample parking space. Shareholders of the Company are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting.
<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
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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