

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5197
COMPANY NAME : FOCUS LUMBER BERHAD
FINANCIAL YEAR : December 31, 2023

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board is collectively responsible for the overall conduct of the Company and its subsidiaries ("the Group")'s business and takes full responsibility for the performance of the Group. The Company 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> <p>(a) Reviewing and adopting the Company's strategic plans</p> <p>The Board has put in place a strategy planning process, whereby the Managing Director presents to the Board its recommended strategies, together with the proposed business plans for the Board's review and approval. The Board will deliberate both Management and its own perspectives and challenge the Management's views and assumptions to ensure the best outcomes.</p> <p>(b) Overseeing the conduct of the Company's business</p> <p>The Managing Director is responsible for the day-to-day management of the business and operations of the Group in respect of both regulatory and commercial functions. He is supported by Management and the Executive Directors. Management's performance, under the leadership of Managing Director, is assessed by the Board through monitoring the success in delivering the approved targets and business plans against the performance of the Group.</p> <p>(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures</p> <p>The Board, through its Audit Committee ("AC") with the guidance by the Internal Auditors, oversees the high-risk area of the Group, the adequacy of the compliance and control throughout the group as well as review the action plans implemented to manage the risk.</p>

	<p>(d) Succession Planning</p> <p>The Board has entrusted the Nomination Committee (“NC”) and Remuneration Committee (“RC”) with the responsibilities to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.</p> <p>The Board has adopted a Succession Planning policy which is designed to ensure the Company recognises and develops a pool of talented employees through mentoring, training and job rotation to enhance skills and knowledge of key business leaders within the Company. This is to create a pool of potential successors for not only a single position but other positions as and when the need arise.</p> <p>(e) Overseeing the development and implementation of a shareholder communications policy for the Company</p> <p>The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and the investment community. To that end, the Board strives to provide shareholders and investors accurate, useful and timely information about the Company, its businesses and its activities via timely release of quarterly financial results and announcements. Whilst the Company endeavours to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.</p> <p>(f) Reviewing the adequacy and integrity of risk management and internal control system of the Company</p> <p>The Board is ultimately responsible for the adequacy and integrity of the Company’s risk management and internal control system. Details pertaining to the Company’s risk management and internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of the 2023 Annual Report.</p> <p>Board Committees were established to assist the Board in carrying out its responsibilities. The Board delegates certain responsibilities to three committees, namely NC, RC and AC. The powers delegated to the committees are set out in the Terms of Reference of each committee which are accessible via the Company’s website at www.focuslumber.com.my.</p>
<p>Explanation for departure</p>	<p>:</p>

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

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 and has been the Chairman of the Company since the Company's listing in April 2011. He leads and manages the Board performance by providing leadership guidance for the Board so that the Board can perform its responsibilities effectively.</p> <p>Being the Chairman of the Board, he is responsible for:-</p> <ul style="list-style-type: none"> i) Ensuring that all key issues related to the Company are discussed and sufficient time for deliberation on key matters are given; ii) Encouraging active participation, allows views including dissent to be freely expressed and facilitates the effective contribution of all directors at the Board meetings; iii) Conducting the Board's functioning, including establishing the agenda for Board meetings, leading board meetings and discussion in accordance with Board Charter; iv) Ensuring 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) Ensuring the views of shareholders are communicated to the Board as a whole, and that governance and strategy issues are discussed with major shareholders; and vi) Leading the Board in establishing and monitoring good corporate governance practices in the Company. <p>The key responsibilities of the Chairman of the Board have been clearly specified in the Board Charter which is available on 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 1.3

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 where their roles and responsibilities are clearly defined.</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 shareholders' communications. <p>The detail of the duties and responsibilities of the Chairman and the MD are stated in the Board Charter which is available on 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 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
Application :	Applied
Explanation on application of the practice :	Datuk Aznam bin Mansor, the Chairman of the Board, is neither a member nor permanent invitee of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 1.5

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 of the Company 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 (MAICSA).</p> <p>The roles and responsibilities of the Company Secretaries are provided in the Board Charter, which is available on the Company's website. The Company Secretaries of the Company carry out, among others, the following tasks:-</p> <ul style="list-style-type: none"> i) Advise the Board on issues relating to compliance with provisions of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Companies Act 2016 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) Attend all Board meetings and ensure that the minutes of all Board and Board Committees' meetings are properly recorded and kept; iii) Facilitate board communications and ensure that the deliberations performed at Board and Board Committees' meetings are properly conveyed to the relevant Management personnel for further actions; iv) Advise the Board on fulfilling the fiduciary roles and responsibilities in shaping the corporate direction of the Company; v) Assist the Company to ensure that the processes and proceedings of the general meetings are in place and properly managed; and vi) Monitor the development in corporate governance and assist the Board to apply governance practices to meet the Board's needs and stakeholders' expectations. vii) Facilitated the annual assessment on the effectiveness of the Board, Board Committees and individual Directors. The results were collated and tabled at the Nomination Committee Meeting and subsequently to the Board for deliberation.
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 1.6

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>All Directors have the same and unrestricted right of access to information in discharging their duties and responsibilities as the directors of the Company.</p> <p>To facilitate the respective Directors’ schedule planning, an annual meeting calendar is prepared and circulated to the Board in advance of every calendar year. The meeting calendar comprises 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 Committees meetings is circulated to the Board and Committees members at least five business days before the respective meetings are held. The meeting materials are compiled and circulated to the Directors five business days prior to the meeting days to enable the Directors to have sufficient time to review the meeting materials and make informed decisions at the meetings.</p> <p>For follow up items, Management will ensure that appropriate actions are taken to resolve the matters and update the Board and Committees in the respective meetings accordingly.</p> <p>As part of the Company’s green initiatives and to improve the efficiency of the meetings, the Company has implemented a paperless board paper for all Board and Board Committee meetings by email the meeting materials instead of distributing hard copies.</p> <p>Upon the conclusion of respective Board and Committees’ meetings, the Company Secretaries would record the deliberations and decisions made at the meetings in the minutes of meetings and circulated to the Board for review and 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

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 subsidiaries. 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 Company Secretary;(b) Structure and composition of the Board;(c) Code of Conduct;(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 independent advice. <p>The Board Charter is available at the Company's website at www.focuslumber.com.my and it is reviewed annually. For financial year 2023, the Board reviewed the Board Charter of the Company on 27 March 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has established a Code of Conduct and Ethics which is applicable to all the 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) Political Involvement; (h) Company Property; (i) Confidential Information; (j) Fair Dealing; (k) Human Rights; (l) Health and Safety; (m) Compliance with laws and regulations; and (n) Report on violation. <p>The Code of Conduct and Ethics is available at the Company's website at www.focuslumber.com.my and is reviewed annually. For financial year 2023, the Board reviewed the Code of Conduct and Ethics of the Company on 27 March 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group is committed in safeguarding the interest and upholding the reputation of the Group at all times. The Group had established the Group Whistleblowing Policy to provide 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 their 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 workplace, the employee should report the case immediately to his/her manager. However, if for any reason the employee is reluctant to do so, the employee should report the concerns to either the:</p> <ul style="list-style-type: none">(a) Chairman of the Board (Email address: am@lh-ag.com); or(b) Chairman of Audit Committee (Email address: kenneth.ckk73@gmail.com). <p>The Whistleblowing Policy is available at the Company's website at www.focuslumber.com.my and is reviewed annually. For financial year 2023, the Board reviewed the Whistleblowing Policy of the Company on 27 March 2023.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company’s sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of sustainability development to businesses and is committed to ensure attention is given to environmental, social, economic and governance aspects as an integral part of its business operations.</p> <p>The Board, being the ultimate governing body on sustainability, has adopted a Sustainability Policy to formalise the Group’s fundamental approach, principles, and governance structure. The policy provides clear directions relating to the incorporation of ESG values across the Group’s operational agendas and decision-making processes. The Board has established a management level Sustainability Committee, comprising of key senior management, chaired by the Managing Director.</p> <p>In the financial year 2023, Sustainability Committee had identified 15 material topics fall under the three pillars of Economic, Environment and Social. The risks and opportunities associated with the material topics identified and its impact to the stakeholders were assessed with approach being designed to address the sustainability risks. The details of material topic, action plan, target for year 2023, historical data and the responsible department were presented to the Board for approval.</p> <p>For financial year 2023, the Board reviewed the Sustainability Policy of the Company on 27 March 2023.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders regularly through various channels.</p> <p>The Sustainability Committee identified six key stakeholders as follows: (a) Customers; (b) Shareholders and investors; (c) Suppliers; (d) Employees; (e) Government; and (f) Community.</p> <p>While conducting materiality assessment, discussion with customers and suppliers were conducted to understand the area of their interest and concern. Our approach to address their concern and targets were also communicated to them verbally as well as via email correspondence.</p> <p>Material topics identified, our strategy, key performance indicators and target for year 2024 were also communicated to the employees, particularly Key Senior Management and Head of Departments regularly through internal meetings and briefing. Feedback was also obtained from our employees on their concern, especially those that would hinder the Group's achievement of the targets set.</p> <p>Sustainability statement in the Annual Report also elaborates on the Group's sustainability journey, material sustainability topics, area of interest of stakeholders, engagement with stakeholders and our approaches to address it. Sustainability Statement was included in our Annual Report which was available on our 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

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board keeps itself apprised with concomitant and pertinent sustainability developments by way of formal training, presentation of updates, reading of newspaper and articles, and discussions. During the financial year 2023, the Board members attended various training programs in relation to sustainability, to ensure that they are well equipped with the necessary skills and knowledge to perform their duties and meet the challenges facing by the Board. The trainings include topics on Sustainability Strategy & Reporting and Compliance with Listing Requirements.</p> <p>On 21 August 2023, an in-house training was conducted to the Board in relation to Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under the Listing Requirements.</p> <p>The Board was briefed on the progress of the Group's sustainability efforts every quarter. On 24 November 2023, the material sustainability topics relevant to the Group, proposed action plans, target for year 2024, etc were presented 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

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	<p>The performance of the Board for financial year 2023 was evaluated in February 2024, which includes the evaluation of the Board's contribution in considering the varying opportunities and risks whilst developing strategic plan. There is also a separate section in relation to the sustainability in the evaluation of the performance of the Board and Board Committees.</p> <p>The performance evaluation of the senior management is empowered to the Managing Director by the Board. The performance of the senior management is assessed through the evaluation form which covers areas such as opinion and contribution given by the senior management in relation to the sustainability risks and opportunities.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.

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 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Terms of Reference ("TOR") of Nomination Committee ("NC") stated the NC should review and recommend to its Board the overall composition of the Board and Board Committees based on objective criteria, merit and with due regard of the appropriate size, diversity, required mix of skills, experience, tenure of each director and other qualities, through annual review.</p> <p>The evaluation documents are endorsed by the NC and approved by the Board before distributing 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.</p> <p>The outcomes of the evaluation would be tabled during the NC meeting and thereafter to the Board for further deliberation. If there is any weakness identified, the NC would carry out the discussion on the improvement actions to be taken. The Board is satisfied and agreed that all Directors meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia on character, experience, integrity, competence and time to effectively discharge their role as Directors. Besides, the Board is also satisfied that Ms Nar Chin Keow fulfils the independence criteria as set out in the MMLR of Bursa Malaysia.</p> <p>There were changes to the Board composition in 2023. Due to compliance with MMLR in relation to the tenure of Independent Director being limited to a cumulative period of 12 years, Mr Wong Yoke Nyen and Mr Ng Tian Meng resigned as Directors of the Company on 19 May 2023 while Datuk Aznam bin Mansor was redesignated as Non-Independent Non-Executive Director on 19 May 2023. Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin were appointed as our new Independent Non-Executive Directors whereby they assume the position and roles of the resigned directors in the respective Board Committees. Assessment had been conducted by the NC on the character, experience, qualification, independence as well as the fit and proper and the Board was satisfied that their appointment are aligned with the Company's objectives and goals and comply with MMLR of Bursa Malaysia.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 5.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	As at 31 December 2023, the Board comprises eight (8) members of which three (3) are Independent Directors, one (1) Non-Independent Non-Executive Chairman and four (4) Executive Directors (including the Managing Director), i.e. less than half of the Board comprises Independent Directors. The Company however complies with Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which states that at least two (2) directors or one-third (1/3) of the Board members of a listed issuer, are independent directors.	
		The composition and size of the Board are reviewed through the NC annually to ensure its appropriateness and effectiveness. The present composition of the Board is effective and the Board believes that any appointments should be based on merits and capability.	
<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 5.3

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 provide justification and seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied	
Explanation on application of the practice	:	None of the Independent Directors exceeds a cumulative term of nine (9) years.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.4 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
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 5.5

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.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

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 the Company's performance. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees. Besides, the Board also has adopted the Directors' Fit and Proper Policy, which will enhance the governance of the Company in relation to the Board's quality and integrity, as well as ensure that each Director has the character, experience, integrity, competence, time and commitment to effectively discharge his role as a Director. The Diversity policy and Directors' Fit and Proper Policy are made available at the Company's website at www.focuslumber.com.my.</p> <p>The Nomination Committee ("NC") is delegated by the Board to continuously look for candidates with diverse skills and talent that can contribute to the Company such as necessary skills, knowledge, expertise, professionalism, and integrity and time commitment. For the position of Independent Non-Executive Director, the NC also evaluates the candidates' ability to discharge such responsibilities/ functions of an Independent Non-Executive Director.</p> <p>Upon identifying the appropriate candidate to be appointed as the Director, the NC will make their recommendations to the Board for approval. Where necessary, the NC will also utilise independent sources to identify suitable qualified candidates.</p> <p>In year 2023, NC has conducted a review and assessment on the character, experience, skills, time commitment, expertise and level of independence through the review of the resume and interview, before recommending the appointment of Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin to the Board. Directors' declaration of fit and proper had obtained from the new Directors. For financial year 2023, the Board reviewed the Diversity Policy of the Company on 27 March 2023.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 5.6

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.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee ("NC") 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>Besides relying on recommendations from existing board members, management or major shareholders in looking for suitable and qualified candidates, the NC 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 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application	:	Applied
Explanation on application of the practice	:	<p>In order for the shareholders to make an informed decision on the re-election of the retiring Directors at the 33rd Annual General Meeting (“AGM”) of the Company held on 19 May 2023, the Board has provided a statement to support the re-election of the Directors and justifications in the Company’s Notice of 33rd AGM issued on 20 April 2023.</p> <p>The re-election of each Director is put for voting under separate resolutions during the 33rd AGM of the Company and the following retiring Directors have been re-elected as Directors pursuant to Clause 76(3) and 78 of the Constitution of the Company:</p> <p>Pursuant to Clause 76(3) of the Company’s Constitution (1) Datuk Aznam bin Mansor (2) Lin, Hao-Yu</p> <p>Pursuant to Clause 78 of the Company’s Constitution (1) Nar Chin Keow (2) Lin, Pei-Wen (3) Teh Yong Khim</p> <p>The Board had through the Nomination Committee (“NC”) carried out assessment on the Directors and agreed that all Directors meet the criteria as prescribed by Paragraph 2.20A of the MMLR of Bursa Malaysia Securities Berhad on character, integrity, competence and time to effectively discharge their role as Directors.</p> <p>Besides, NC also carried out assessment on the independence of Independent Directors and is satisfied that they met the criteria of independence as prescribed by paragraph 1.01 of the MMLR.</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

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

Practice 5.8

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

Application	:	Applied	
Explanation on application of the practice	:	<p>For financial year 2023, the Nomination Committee (“NC”) comprises 3 members whom are all Independent Non-Executive Directors.</p> <p>The Chairperson of the NC is Ms Nar Chin Keow, an Independent Non-Executive.</p> <p>The Chairperson of NC leads the annual review of succession planning of the Board and senior management, Board and Board Committees’ effectiveness and ensures that the performance of each individual director is independently assessed.</p> <p>The profiles of the NC members are set out in the Annual Report 2023 and the Terms of Reference of the NC is available at 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

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

Practice 5.9

The board comprises at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	As at 31 December 2023, the Board has 2 women Directors out of 8 Directors, which representing 25% of the board. Their presence complies with MMLR which mandates presence of at least one woman Director on the Board. The Board will continue with its efforts to source for suitable additional woman director on Board.	
<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 5.10

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has adopted a Diversity Policy which describes the Company's commitment to ensure a diverse mix of skills, gender and talent exist amongst its Directors, officers and employees and to enhance the Company's performance. The Diversity Policy addresses equal opportunities in the hiring with no preference given to male applicants for a position and will ensure that any women with appropriate experience and qualifications are considered equally in the recruitment and selection process.</p> <p>As at 31 December 2023, the Board comprised 2 women Directors out of 8 Directors, which represents 25% women Directors on the board. In financial year 2023, the Board reviewed the Diversity Policy of the Company on 27 March 2023.</p> <p>The Diversity Policy is available at 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

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

Practice 6.1

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 its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
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. Thereafter, the NC would recommend its findings to the Board.</p> <p>The evaluation documents are endorsed by the NC and approved by the Board before distributing 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 and thereafter to the Board for deliberation. If there is any weakness identified, the NC would carry out the discussion on the improvement actions to be taken.</p> <p>The Board has reviewed the performance of the Directors who are standing for re-election as well as assessment on their fit and proper in accordance with the Directors' Fit and Proper Policy of the Company. Based on the outcome of the evaluation and assessment, the Board is of the view that they are able to bring valuable insights to the Company and recommend the shareholders to vote in favour of the resolutions pertaining to the re-election of these Directors to be tabled at the 34th AGM of the Company.</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

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 7.1

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee ("RC") assists the Board in fulfilling its oversight responsibility to shareholders and ensures that the Company has a coherent remuneration policy that fairly and responsibly reward the employees proportionately to their performance.</p> <p>The Group has adopted a Remuneration Policy and Procedures which provides a framework for remuneration to be paid to the directors and senior management of the Company.</p> <p>The Remuneration Policy and Procedures is designed with the aim to support the Group's key strategies and create a strong performance-oriented environment, and be able to attract, motivate and retain talent.</p> <p>Remuneration package offered to the Independent Non-Executive Directors ("INEDs") of the Company reflects the experience, expertise and level of responsibilities undertaken by the INEDs. The Directors' fees and meeting allowance payable to the INEDs of the Company shall approved by the shareholders at the Annual General Meetings in accordance with Section 230 of the Companies Act 2016.</p> <p>Remuneration for Managing Director ("MD"), Executive Directors ("EDs"), and senior management consists of both fixed, variable remuneration components and other competitive benefits such as motor vehicle, holiday packages, accommodation, etc. The remuneration levels of MD, EDs and senior management are structured to enable the Group to attract and retain the most qualified Executive Board members and senior management. It was stipulated in the Group's Bonus Policy & Salary Structure and embodies the following principles:</p> <ul style="list-style-type: none"> (a) Providing fair, consistent and competitive rewards to attract and retain high calibre employees; (b) Motivating the Company's Directors and employees to achieve superior performance; (c) A remuneration framework that incorporates both short and long term incentives linked to Company performance and total shareholder return; and (d) Building a strong partnership between the Company with its Directors and Management Team by encouraging share ownership in the Company by the Directors and Management Team.

	<p>Basic salaries of the Executive Directors will be reviewed by the RC and any revision to it will be reviewed and recommended by the RC to the Board for approval after taking into account the individual performance, economic condition, inflation price index and the achievement of budget. Bonuses payable to the Executive Directors is also subject to review by the RC and approval by the Board.</p> <p>Remuneration of the senior management is decided by the Managing Director based on the performance evaluation conducted. Salary structure was stipulated in the Bonus Policy & Salary Structure accordance to categories of Key Management Personnel and Manager/ Senior Executive.</p> <p>The Remuneration Policy and Procedures is published at the Company's website at www.focuslumber.com.my and is reviewed annually.</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 7.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee ("RC") comprises wholly Independent Non-Executive Directors.</p> <p>The RC is to ensure that the Company has coherent remuneration policies that fairly and responsibly reward individuals having regard to performance, the risk management framework, the law and the highest standards of governance.</p> <p>The RC is responsible for reviewing and recommending matters relating to the remuneration packages of the Executive Directors, Non-Executive Directors and Management team to ensure the remuneration packages offered are appropriate to each director's contribution, after 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 also shareholders should abstain from voting at general meetings to approve their remuneration packages.</p> <p>The Terms of Reference of RC is published on 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

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 8.1

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 as follows:-

No	Name	Directorate	Company (RM'000)							Group (RM'000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Lin, Hao-Wen	Managing Director	-	6	720	180	21	1	928	-	6	720	180	21	1	928
2	Lin, Hao-Yu	Executive Director	-	4	552	138	18	1	713	-	4	552	138	18	1	713
3	Teh Yong Khim	Executive Director	-	14	220	57	-	42	333	-	14	220	57	-	42	333
4	Datuk Aznam bin Mansor	Non-Independent Non-Executive Director	131	6	-	-	-	-	137	131	6	-	-	-	-	137
5	Wong Yoke Nyen*	Independent Director	53	3	-	-	-	-	56	53	3	-	-	-	-	56
6	Ng Tian Meng*	Independent Director	53	3	-	-	-	-	56	53	3	-	-	-	-	56
7	Lin, Pei-Wen	Executive Director	-	6	240	60	20	-	326	-	6	240	60	20	-	326
8	Nar Chin Keow	Independent Director	76	6	-	-	-	-	82	76	6	-	-	-	-	82
9	Kenneth Chin Kah Kiong^	Independent Director	42	3	-	-	-	-	45	42	3	-	-	-	-	45
10	Chong Shu Phin^	Independent Director	42	3	-	-	-	-	45	42	3	-	-	-	-	45

* Resigned on 19 May 2023

^ Appointed on 19 May 2023

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 8.2

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 – adopted Step Up 8.3	
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	:		

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

Intended Outcome

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

Practice 8.3 - 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 as follows:-

No	Name	Position	Company (RM'000)					Total
			Salary	Allowance	Bonus	Benefits	Other emoluments	
1	Meng Qing Quan	Assistant General Manager	228	2	58	-	1	289
2	Lin Fu Mao	Purchasing Manger	138	2	30	-	1	171

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 9.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee ("AC") comprises wholly Independent Non-Executive Directors. Mr Wong Yoke Nyen was the Chairman of AC until 19 May 2023, and replaced by Mr Kenneth Chin Kah Kiong. The Chairman of the Board is Datuk Aznam bin Mansor.	
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 9.2

The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

Application	:	Applied
Explanation on application of the practice	:	<p>At present, none of the Audit Committee ("AC") members were former key audit partners of the Company's External Auditors.</p> <p>The AC recognises the importance of independence of its External Auditors and that no possible conflict of interest whatsoever should arise. Hence, the AC has incorporated a policy in its Terms of Reference ("TOR") that if a former key audit partner or its affiliates, is to be appointed as member of the AC, he/she is required to observe a cooling-off period of at least three years before being appointed as a member of the AC.</p> <p>The TOR of AC is available at 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 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

Application	:	Applied
Explanation on application of the practice	:	<p>In order to ensure effective and independent audit, the Board has adopted the External Auditors Policy which outlines the guidelines and procedures for the Audit Committee ("AC") to assess the suitability, objectivity and independence of the External Auditors.</p> <p>Based on the Terms of Reference of the AC, the AC will conduct an annual assessment of suitability and independence of the External Auditors. The criteria of the assessment include the performance of the External Auditors, the quality of services, sufficiency of resources, communications and interaction with AC, the External auditors' independence, level of non-audit fees, rotation of audit partner, objectivity and professionalism. An assessment questionnaire is used as a tool to obtain input from the Executive Director.</p> <p>The AC would also obtain the written assurance from the External Auditors to confirm that they are and have 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>In financial year 2023, the AC met with the External Auditors twice without the presence of Executive Directors and Management.</p> <p>The AC had conducted the assessment on the suitability and independence of the External Auditor, Messrs PKF PLT on 27 March 2023. Based on the results of assessment on the quality of audit, performance, competence and sufficiency of resources the audit team provided to the Company, the AC was generally satisfied with the suitability and independence of the External Auditors of the Company.</p> <p>Based on the recommendation of the AC, the Board had on 27 March 2023 recommended the re-appointment of the External Auditors for the financial year 2023 to the shareholders for approval at the 33rd Annual General Meeting held on 19 May 2023 which the External Auditors were re-appointed for the ensuing year.</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 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 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Audit Committee ("AC") comprises wholly Independent Non-Executive Directors. The members of the AC as at 31 December 2023 are as follows:</p> <ul style="list-style-type: none">(1) Mr Kenneth Chin Kah Kiong – Chairman;(2) Mr Chong Shu Phin – Member; and(3) Ms Nar Chin Keow. <p>During the financial year 2023, there were changes to the composition of AC whereby Mr Wong Yoke Nyen and Mr Ng Tian Meng resigned as Director on 19 May 2023 whilst Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin were appointed as Independent Non-Executive Directors on the same date.</p>

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 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent 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 ("AC") are financially literate and possess a wide range of necessary skills to discharge their duties. The qualifications and experiences of the individual AC member are disclosed in the Directors' Profile on pages 4 to 6 of the Annual Report.</p> <p>The members of AC attend trainings from time to time to ensure that they 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 AC are set out on pages 38 to 39 of the 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 10.1

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 a sound risk management and internal controls system as well as good corporate governance practices throughout the Group.</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 also assisted by the Audit Committee ("AC") to oversee the implementation of a system of risk management and internal controls.</p> <p>A management level Risk Management Committee ("RMC") was established to assist the AC in overseeing the risk management issues of the Group and to report to the AC directly on the Group's overall co-ordination of risk management activity and ensure that necessary procedures are in place. The RMC would meet with the AC at least twice a year to review the 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 is set out on its Statement on Risk Management and Internal Control on pages 47 to 50 of the 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 10.2

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>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. The Management level Risk Management Committee ("RMC") would prepare a report detailing the significant risks, the status of risk reviews and the status of implementation of actions plans and tabled to the Audit Committee on a semi-annually basis.</p> <p>The details of the risk management and internal control framework are contained in the Statement of Risk Management and Internal Control, which is on pages 47 to 50 of the 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 10.3 - 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 11.1

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 Company’s internal audit function is outsourced to GovernAce Advisory & Solution Sdn Bhd, a professional internal audit service provider. This would ensure that the independence of the internal auditor since they will not be involved in the operations of the Group.</p> <p>The outsourced internal auditor reports directly to the Audit Committee (“AC”) and is led by a 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 AC would also review the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions. The AC meets with the Internal Auditor at least four times a year to review the internal audit function and to assure the soundness of the internal control system.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 11.2

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 GovernAce Advisory & Solution Sdn Bhd, a professional internal audit service provider. This is to ensure that the outsourced internal auditor is independent and is not involved in the Company's operations.</p> <p>The outsourced Internal Auditor is led by a team who is registered with professional bodies. The team comprises of:-</p> <p>(a) Ryan Chong Chee Seng, Director – Certified Internal Auditor (“CIA”), Certified Practising Accountant with CPA Australia, a Chartered Member of Institute of Internal Auditors Malaysia (“CMIIA”) and Accountants registered with Malaysian Institute of Accountants;</p> <p>(b) Ong Ai Sim, Manager – Associate Member of Institute of Internal Auditors Malaysia (“AMIIA”)</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 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	:		
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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 12.1

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 overseas, with the objectives 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 various prescribed announcements made to Bursa Malaysia Securities Berhad ("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 platform to meet the shareholders and for the shareholders to address their concerns. At the Annual General Meeting, shareholders are encouraged and will be given sufficient time to enquire about the Group's activities and prospects as well as to convey their expectations and concerns. Shareholders are also encouraged to participate in the question-and-answer session on the proposed resolutions to be passed and the Group's operations in general.</p> <p>Besides,, the shareholders can at any time seek clarification or raise queries to the Management of the Company by emails or phone. Our contact details are set out in the Group's website at www.focuslumber.com.my.</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	:
<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 12.2

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

Application	:	Not applicable – Not a Large Company	
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

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

Practice 13.1

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 33rd Annual General Meeting (“AGM”) of the Company was held on 19 May 2023 and the Notice of the 33rd AGM was dispatched to the shareholders on 20 April 2023, which was at least 28 days before the meeting date and was in excess of the 21 days requirement under the Companies Act 2016 and the Company’s Constitution. The notice was also published in a nationally circulated newspaper as required under MMLR of Bursa Malaysia.</p> <p>The notice of the 33rd AGM, Administrative Guide and the Annual Report 2022 were made available on the Company’s corporate website. Additional time was given to the shareholders which allowed them to make the necessary arrangements to attend and participate in person or through corporate representatives or proxies at the 33rd AGM remotely by using the Remote Participation and Voting (“RPV”) facilities.</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 13.2

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

Application	:	Applied	
Explanation on application of the practice	:	All the Directors attended the Company's 33 rd Annual General Meeting which was held through live streaming and online remote voting using Remote Participation and Voting facilities on 19 May 2023. The Chairman of the Audit Committee, Nomination Committee and Remuneration Committee were present to provide response to any questions addressed to them.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company had leveraged on technology to facilitate remote shareholders' participation and electronic voting for the conduct of poll on resolutions at its virtual 33rd Annual General Meeting ("AGM") on 19 May 2023.</p> <p>The 33rd AGM proceedings was held fully virtual through Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its TIIH Online at https://tiih.online. The Administrative Notes of the AGM including the procedures for RPV facilities were published in the Company's website and shared with shareholders before the meeting date.</p> <p>With the RPV facilities, shareholders are able to exercise their right as members of the Company to participate (including posing questions to the Board and/or Management of the Company before and during the AGM) and vote by registering themselves via the TIIH Online before the closing date set out in the Administrative Guide. If a member is unable to attend AGM, he/she may appoint proxy(ies) or the Chairman of the meeting as his/her proxy to attend the AGM via RPV facilities.</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 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company’s financial and non-financial performance as well as the company’s long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
Application	: Applied
Explanation on application of the practice	: <p>The virtual Annual General Meeting (“AGM”) of the Company were held on 19 May 2023. The Company had issued the Annual Report 2022, Circulars together with the administrative notes which included the administrative guidance on the conduct of the virtual meeting, on 20 April 2023.</p> <p>The shareholders were allowed to submit their questions electronically through the online platform provided by the share registrar, Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”) via its TIH Online website at https://tjih.online prior to AGM from 20 April 2023 onwards, or used the query box to transmit questions to the Board of Directors via Remote Participation and Voting (“RPV”) facilities during live streaming of the AGM.</p> <p>The Chairman of the AGM had also informed the shareholders during the live streaming of the AGM that they could submit their questions to the Board during the AGM via the RPV facilities; and answers of all the questions were addressed by the Board, before the commencement of the poll voting.</p> <p>In view of shareholders were allowed to submit questions commencing 20 April 2023, they were given sufficient opportunity to pose their questions before the AGM and during the AGM. The Company had ensured that all questions were answered.</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 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
Application :	Applied
Explanation on application of the practice :	<p>The Company held its Annual General Meeting (“AGM”) virtually. The Remote Participation and Voting (“RPV”) facilities provided by the share registrar, Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”) via its TIIH Online website at https://tjih.online allowed shareholders to pose questions to the Board and Chairman of the AGM via typed text in the query box. The shareholders submitted their questions at any time from the day of notice of AGM and up to the time when the meeting was in progress.</p> <p>At the Q&A session in the meeting agenda, the TIIH Online Platform had the facilities to live broadcast the questions/ remarks and answers, and the shareholders had experienced real time interaction with the Board during the AGM.</p> <p>The questions posed by shareholders were read out and answered by the Board.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>	
Application	: Applied
Explanation on application of the practice	: Minutes of the 33 rd Annual General Meeting (“AGM”) held on 19 May 2023 was made available to shareholders by posted on the Company’s website within 30 business days after the conclusions of the AGM.
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	:

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

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

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