

CORPORATE GOVERNANCE REPORT

STOCK CODE : 8834
COMPANY NAME : IREKA CORPORATION BERHAD
FINANCIAL YEAR : March 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- The Group is led by an effective Board which plays an important role in the stewardship of its direction and operations. It takes full responsibility on the issues relating to strategy, performance, resources, standards of conduct and financial matters of the Company and the Group.- The roles and responsibilities of the Board are set out in the Board Charter which is available on the corporate website - www.ireka.com.my.- The matters reserved for the collective decision of the Board are as follows:<ul style="list-style-type: none">• approval of corporate strategies;• approval of annual budget;• approval of new projects;• approval of material acquisitions and disposals of undertakings and properties;• approval of quarterly results announcement, audited financial statements and annual report; and• recommendation of dividends for the approval of shareholders.- The Board is supported by the Group Managing Director, Group Deputy Managing Director, Executive Directors and the Management who are responsible for implementing the Group's strategies and managing the operations of the Group.- The Board has oversight on matters delegated to the Management whereby updates are reported at least on a quarterly basis or as and when required.- The Non-Executive Directors play key supporting roles by contributing knowledge, experience and providing relevant checks and balances towards the formulation of policies and in the decision-making process by focusing on shareholders' and other stakeholders' interests in order to ensure that high standards of corporate governance are applied.- The Board has established Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee |

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| | <p>to examine specific matters within their respective terms of reference as approved by the Board. Although specific powers are delegated to the Board Committees, the Board keeps itself updated of the key issues and decisions made by each Board Committee through the reports by the Chairmen of the Board Committees at Board meetings. The ultimate responsibility for decision-making lies with the Board.</p> <ul style="list-style-type: none"> - The Board puts its effort to drive and promote sustainable business practices covering economic, environmental and social aspects, the details of which are disclosed in the Sustainability Statement in the Company's Annual Report 2018. | |
| Explanation for departure : | | |
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| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Datuk Lai Siew Wah, the Executive Chairman of the Company, is responsible for the overall leadership and efficient functioning of the Board. He leads the Board effectively and encourages active participation and contribution from all members.</p> <p>Key roles of the Chairman are as follows:</p> <ul style="list-style-type: none">- leading the Board in the oversight of management;- setting the board agenda and ensuring that Board members receive complete and accurate information in a timely manner;- chairing the Board meetings and ensuring the efficient organisation and conduct of the meetings;- chairing all general meetings with the shareholders and ensuring effective communication with shareholders and relevant stakeholders;- promoting constructive and respectful relations between Directors, and between the Board and Management;- leading the Board and ensuring a balance composition of skills, knowledge and experience within the Board members; and- providing governance in matters requiring corporate justice and integrity. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.3

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The roles and responsibilities of the Executive Chairman and the Managing Director are held by two different individuals to exercise clearly separated functions to enable a balance of power and authority.</p> <p>The Executive Chairman is responsible for looking after the best interest of all shareholders by ensuring Board effectiveness and conduct.</p> <p>The Managing Director has the overall responsibility for the stewardship of all the Group's assets, day-to-day running of the business and effective implementation of Board decisions and policies as approved by the Board.</p> <p>During the financial year ended 31 March 2018, the chairmanship was help by Datuk Lai Siew Wah while the position of Managing Director was held by Datuk Lai Voon Hon.</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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board is supported by a suitably qualified and competent Company Secretary who is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>The Company Secretary plays an important role in ensuring that all governance matters and Board procedures are adhered to and that applicable laws and regulations are complied with.</p> <p>All Directors have access to the advice and services of the Company Secretary.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

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| Application | : | Applied | |
| Explanation on application of the practice | : | All Board members are provided with agenda and board papers containing relevant documents and information in a timely manner so as to ensure the Board members have reasonable time to review and consider the issues before participating in discussions and deliberations in Board meetings. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| 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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Company's Board Charter sets out amongst others the respective roles and responsibilities of the board, board committees, individual directors and management.</p> <p>The Board Charter will be reviewed periodically to keep it up-to-date with changes in regulations and best practices to ensure its effectiveness and relevance to the Board's objectives.</p> <p>The Board Charter is available on Ireka's website at www.ireka.com.my.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 3.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- The Board observes the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia.- The Directors are expected to conduct themselves with the highest ethical standards. All Directors and employees are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Company. The Group communicates its Code of Conduct to all Directors and employees upon their appointment/employment and is deemed to be part of the Terms and Conditions of Service.- Directors are required to declare their respective shareholdings, direct or indirect if any, in the Company and related companies and their interests, direct or indirect, in contracts or proposed contracts with the Company or any of its related companies. The Directors concerned are to abstain from deliberating and voting in relation to these transactions or in matters affecting their personal, business or professional interests.- Each Director will, at all times, act honestly, fairly and diligently in all respects in accordance with the laws applicable to the Company. <p>The Code of Ethics and Conduct of the Company is available on Ireka's website at www.ireka.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> | | |

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| 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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The whistleblowing policy is not implemented for the time being as such policy requires appropriate education and adequate training for the employees and the right calibre of personnel to ensure its effectiveness. | |
| | | Meanwhile, appropriate feedback and information can be channeled to the Management by the employees. However, the Board will continue to assess if such need is required. | |
| <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.

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>During the financial year ended 31 March 2018 (“FY 2018”), the Board has 10 members comprising an Executive Chairman, 5 Executive Directors, a Non-independent Non-executive Director and 3 Independent Non-executive Directors (“INEDs”). With the retirement of 2 Executive Directors on 31 March 2018 and the appointment of an Executive Director on 1 April 2018, the Board currently consisting of 9 members of which 1/3 of the directors are independent which complies with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).</p> <p>The Board takes cognisance that the Malaysian Code on Corporate Governance 2017 recommends that at least half of the board comprises independent directors. Whilst the Board currently comprising 1/3 INEDs, the Board is satisfied with the current composition as the Board is of the opinion that current number of independent directors is sufficient to ensure balance of power and authority on the Board.</p> <p>The Executive Chairman, who is also a substantial shareholder of the Company, has shown great commitment and played an integral role in stewardship apart from ensuring board effectiveness. During his tenure as the Executive Chairman of the Company, he has acted in the best interest of the Company and the Board is satisfied that there is no undue influence involved in all related party transactions. All related party transactions and the shareholders’ mandate on the recurrent related party transactions were independently assessed by the Audit Committee to ensure compliance with the Listing Requirements of Bursa Malaysia. The Executive Chairman encourages open discussion and free expression of opinions and suggestions at board meetings. Every resolution tables will be deliberated and all views from the directors are considered before a decision is made by the Board.</p> <p>During the FY2018, the Board and the Nomination Committee had assessed the independence of the INEDs and satisfied with the level of independence demonstrated by the INEDs in which they could continue to bring objective and independent judgement in board decision making.</p> |

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

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| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 4.2

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.

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>Haji Mohd. Sharif bin Haji Yusof has served as an Independent Non-executive Director ("INED") of the Company since 2002. He was re-appointed as the INED of the Company by the shareholders in the Company's 2017 Annual General Meeting ("AGM").</p> <p>The Board has reviewed and determined that Haji Mohd. Sharif bin Haji Yusof remains objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his exercise of independent judgment and ability to act in the best interest of the Company and the shareholders but instead the suitability and ability are very much a function of his calibre, qualifications, experience and personal qualities. Moreover, the Board is of the view that there are significant advantages to be gained from the long-serving INED who provides invaluable insight and possesses knowledge of the affairs of the Company.</p> <p>The Board has, upon his assessment, concluded that the INED continues to demonstrate conduct and behaviour that are essential indicators of independence and the ability to provide impartial judgment to Board decision. At the forthcoming AGM, the Company will seek for a single-tier shareholders' approval to retain Haji Mohd. Sharif bin Haji Yusof as an independent director as the Company's Constitution has yet to be amended to allow for a two-tier voting process.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |

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| Timeframe | : | Choose an item. | |
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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 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

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| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board regularly reviews its composition with the aim to ensure that it achieves a diverse Board which is able to bring different perspectives and insights to bear on decisions that are aligned to customers' and investors' needs. The Board is satisfied that its current composition comprises members of calibre from a diverse blend of professional backgrounds ranging from business, engineering, management, economics, finance and accounting which enable to Company to meet its objectives and enhance shareholders' values. The profile of these Directors and senior management are provided on pages 16 to 21 of the Annual Report.</p> <p>In sourcing for suitable candidates for board members and senior management, the Company takes into account the experiences, competencies, integrity and time commitment with due regard for diversity including gender, age and ethnicity. However, the Board is of the view that the priority for the appointment is based on merit.</p> <p>Presently, Lai Voon Huey is the only female director comprised in the Board of 9 Directors. Nevertheless, the Board is actively exploring avenues to improve gender diversity on 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

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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board does not have a specific policy on gender diversity but the Board is mindful that all Board appointment processes shall be conducted in a manner that promotes gender diversity. | |
| | | When given the opportunity of meeting the suitable female candidates, the Board through its Nomination Committee will consider gender diversity as part of its future selection process. | |
| | | In respect of workforce diversity, the Group is an equal opportunity employer and all appointments and employments are based on merits with no discrimination on race, age and gender. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 4.6

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board uses a variety of sources for the identification of suitable candidates. The Board may rely on recommendations from existing Board members and other sources to meet the skill sets and requirements of the Board.</p> <p>The Nomination Committee (“NC”) is responsible for recommending suitable candidates to the Board for its consideration. The NC is also open to referrals from external sources available, such as a directors’ registry and independent search firms.</p> <p>There was no new appointment of Directors for the financial year ended 31 March 2018. However, an Executive Director was appointed to the Board on 1 April 2018 who was sourced from the senior management team being part of the Company’s plan for Board succession.</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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Nomination Committee (“NC”) of the Company comprising independent directors and chaired by Haji Mohd. Sharif bin Haji Yusof who is also the Senior Independent Non-executive Director of the Company.</p> <p>The roles and responsibilities of the NC include the following:</p> <ul style="list-style-type: none"> - to recommend to the Board suitable nominees for Board and Board Committees; - to review the Board composition; - to assess the effectiveness of the Board annually; and - to consider the succession planning for the Board and the Board Chairman. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>An annual evaluation exercise facilitated by the Company Secretary was carried out to assess the performance and effectiveness of the Board, Board Committees and each Director, and the independence of Independent Non-executive Directors (“INED”).</p> <p>The evaluation exercise was conducted via questionnaires, which were distributed to all the Directors, and covered, inter alia, the structure, operations, roles and responsibilities of the Board and the Board Committees. Assessment on individual director encompassed the mix of skills and experience, contributions and interaction, quality of inputs and understanding of roles and responsibilities as a director. The assessment on the INED is based on the criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The results are then collated by the Company Secretary and tabled to the Nomination Committee for deliberation. Areas which require further and continuous improvement are highlighted to the Board.</p> <p>The assessment for the financial year ended 31 March 2018 indicated that there was a good balance in the composition of the Board and the members of the Board possessed the sufficient skills and experience in discharging their duties and responsibilities. The results also indicated that the Directors retiring by rotation were fit to stand for re-election and the long-serving INED has consistently demonstrated independent and objective judgement in all Board and Board Committees deliberations.</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> | | |

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| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has put in place a remuneration policy for Directors so as to ensure it is sufficient to attract, retain and motivate the Directors needed to manage the Group successfully.</p> <p>In the case of Executive Directors, in addition to directors' fee, their remuneration packages are structured so as to link rewards to corporate and individual performance and to commensurate with their experience, skills and responsibilities arising from their respective executive/management positions in the Group as well as benchmarking against industry standards.</p> <p>In the case of Non-executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-executive Directors concerned. Non-executive Directors will be paid directors' fee and board committees' fees based on their responsibilities in Board committees.</p> <p>The Remuneration Committee is responsible for recommending the remuneration packages of the Directors for consideration and approval by the Board. The Directors play no part in decision on their own remuneration. The Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors. The directors' fees and benefits payable to the Directors are recommended by the Board and approved by the shareholders at the annual general meeting.</p> <p>For the remuneration of senior management, the Company has policy to determine their remuneration which shall commensurate with their experience, skills and education.</p> |
| Explanation for departure | : | |

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

Intended Outcome

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

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

Practice 6.2

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | The Remuneration Committee ("RC") consists solely of Independent Non-executive Directors ("INED") and its chairman is a Senior INED. The RC is responsible for recommending the remuneration packages of the Directors for consideration and approval by the Board. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 7.1

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | Detailed disclosure on named basis for the remuneration of individual Director of the Company is in the Corporate Governance Overview Statement of the Company's Annual Report 2018. | |
| 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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board is of the opinion that operating in the property and construction industries is highly competitive and, by disclosing remuneration of senior management on a named basis, may lead to talent poaching from its competitors. Furthermore, remuneration of an individual is confidential and sensitive. | |
| | | The remuneration packages of senior management are determined by one's level of responsibility, skill and experience and benchmarking against the industry standards. | |
| <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.

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman of the Audit Committee ("AC") is Haji Mohd. Sharif bin Haji Yusof who is an Independent Non-executive Director whilst the Board is helmed by Datuk Lai Siew Wah.</p> <p>Haji Mohd. Sharif bin Haji Yusof possesses extensive financial experience and holds related accounting qualifications. The composition of the AC is in compliance with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The AC assists the Board in providing, inter alia, oversight on financial reporting matters and its terms of reference are available on the Company's website at www.ireka.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 | : | The Board recognises the importance of independence of its external auditors and that no possible conflict of interest whatsoever should arise. Hence, none of the Board members is a former key audit partner of its external auditors. However, the Board will observe the cooling-off period of at least 2 years in the event any member of its Board, who is a former key audit partner of its external auditors, were to be appointed a member of the Board Audit Committee. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit Committee (“AC”) assesses the performance, competency and professionalism demonstrated by the external auditors during the year.</p> <p>Prior to making a recommendation on the continuance of the incumbent external auditors, the AC performs an annual assessment on the objectivity, qualifications, expertise, resources and effectiveness of the external auditor. Any provision of non-audit services by the external auditors or its affiliate companies will be reviewed to ascertain whether such provision of services would impair the auditor’s independence or objectivity.</p> <p>Having considered all of the above criteria, the AC is satisfied with the performance of the external auditors and hence, recommended to the Board for the re-appointment of the external auditors by shareholders at the forthcoming 2018 Annual General Meeting.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|---|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | The Audit Committee comprises 3 members, all of whom are Independent Non-executive Directors. |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit Committee ("AC") comprises 3 Independent Non-executive Directors. The Chairman of the AC is a Fellow member of the Institute of Chartered Accountants, England and Wales and a member of the Malaysian Institute of Accountants. All AC members have sound knowledge on financial and accounting matters and also with the knowledge gained through extensive service on the boards and audit committees of other listed companies, have enabled them to discharge their duties and responsibilities efficiently.</p> <p>All the members undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. A summary of professional development programmes attended by the members during the financial year under review is set out in the Annual Report 2018.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.1

The board should establish an effective risk management and internal control framework.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board acknowledges its overall responsibility for the Group's system of risk management and internal controls, which includes the establishment of an appropriate control environment and framework, reviewing the integrity, effectiveness and adequacy of these systems to ensure that the Group's assets and the shareholders' interests are safeguarded.</p> <p>The Statement on Risk Management and Internal Controls which provides an overview of the state of internal controls within the Group is set out in the Company's Annual Report 2018.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.2

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The features of the Group's risk management and internal control framework, as well as the adequacy and effectiveness of the framework are described in the Statement on Risk Management and Internal Controls as set out in the Company's Annual Report 2018. Key functions undertaken by the personnel assigned with risk management and internal controls responsibilities are stated therein. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 9.3 - Step Up

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

| | | |
|--|---|--|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | The Company has in place an ongoing process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. The Audit Committee ("AC") is delegated with the oversight responsibility of risk management. The Board through its AC, reviews the key risks identified to ensure proper management and mitigation of such risks. |

Intended Outcome

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

Practice 10.1

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Group's Internal Audit function, which is outsourced to a professional service firm, is an integral part of the assurance mechanism in ensuring that the Group's system of internal controls is adequate and effective. The Internal Audit function reports directly to the Audit Committee ("AC"). During the financial year ended 31 March 2018, the outsourced internal audit function carried out audits in accordance with the risk-based internal audit plan approved by the AC. The results of the audit reviews were discussed with the Senior Management and subsequently, the audit findings including the recommendations for improvement were presented to the AC at scheduled meetings. In addition, the internal audit function carried out follow up reviews to ensure that corrective actions have been implemented in a timely manner by Management and the results of such reviews are also periodically reported to the AC. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 10.2

The board should disclose–

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group’s internal audit function, which reports directly to the Audit Committee, is outsourced to Axcelasia Columbus Sdn Bhd. The Engagement Director is Mr. Mah Siew Hoong who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr Mah is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).</p> <p>The number of staff deployed for the internal audit reviews ranges from 4 to 5 staff per visit including the Engagement Director. The staffs involved in the internal audit reviews possess professional qualifications and/or a university degree. Certain staffs are members of the Institute of Internal Auditors Malaysia. The internal audit staffs on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework.</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 values regular communications with shareholders and investors. These include various announcements made during the year, the timely release of annual reports, circulars to shareholders, press releases, announcements on quarterly and annual financial results, which provide shareholders with an overview of the Group's business and financial performances. The Executive Directors hold press conference with journalists immediately after general meetings. The Executive Directors together with the Management also hold meetings and interviews with investors and journalists to present and update on the Group's strategy, performance, major developments and launches of property developments.</p> <p>In addition, the Group has a website, www.ireka.com.my that shareholders and investors can access for up-to-date information. The Group also maintains a dedicated electronic mail, i.e. enquiry@ireka.com.my to which stakeholders can direct their queries or concerns.</p> <p>The Annual General Meeting is a principal forum for dialogue and interaction with shareholders. The Board presents an overview of the performance of businesses in the Group to keep the shareholders informed and updated on current developments of the Group. All shareholders are encouraged to participate in the question and answer sessions.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 11.2

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

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Company does not fall within the definition of Large Companies. | |
| | | | |
| <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 Board recognises the Annual General Meeting (“AGM”) as a principal forum for dialogue and interaction with shareholders. Hence, notice of AGM of at least 28 days prior to the date of the meeting is given to the shareholders to allow sufficient time for the shareholders to consider the resolutions that will be discussed and decided at the AGM.</p> <p>The notice of AGM, which sets out the businesses to be transacted at the AGM, is accompanied by full explanation of the purposes and effects of a proposed resolution where applicable so as to enable shareholders to make informed decisions in exercising their voting rights.</p> <p>Besides releasing announcement through the website of Bursa Malaysia Securities Berhad and dispatching notices to the shareholders, the notice of the AGM is also published in a nationally circulated newspaper and posted on the Company’s website.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board acknowledges its responsibility to engage with and provide meaningful responses to the questions raised by shareholders. All Directors will attend general meetings unless unforeseen circumstances preclude them from attending general meetings.</p> <p>All Directors of the Company attended the previous AGM held on 30 August 2017. The Chairman of the Board Committees was present to facilitate discussion on matters such as audit, nomination, remuneration and risk management.</p> <p>In addition to the above, members of the Senior Management and external auditors of the Company have also attended the AGM.</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 12.3

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

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

| | | |
|--|---|---|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Company does not have a large number of shareholders and its general meetings are not held in remote locations.</p> <p>The Board has always given consideration to the locations of its general meetings venue to ensure it is convenient and easily accessible to shareholders at large. Shareholders who are unable to attend general meetings are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote on their behalf at the meetings. In accordance with paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions put to vote at any general meeting will be carried out by poll voting. Hence, the votes of any shareholders who are absent from the general meetings are cast via the proxies provided the proxy forms reach the registered office of the Company not less than 48 hours before the time set for holding the general meetings.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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

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

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