

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5276
COMPANY NAME : DANCOMECH HOLDINGS BERHAD
FINANCIAL YEAR : December 31, 2020

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 has the responsibility for the overall strategic direction and leadership of the Group, the Group's governance structure which encompasses an adequate and effective risk management and internal control system, the Group's compliance with the relevant laws and regulations, and maintaining oversight on management.</p> <p>In discharging its duties and functions, the Board assumes the following responsibilities:</p> <ul style="list-style-type: none">• Establishing, reviewing, adopting and monitoring the strategic plan of the Group;• Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed;• Identifying principal risks and ensuring the implementation of an appropriate control system to manage the risks;• Establishing a succession plan including appointing, training, fixing the compensation of and, where appropriate, replacing the Executive Directors and senior management of the Group;• Developing and implementing an investor relations programme or shareholder communication policy to ensure effective communication with our shareholders and other stakeholders;• Reviewing the adequacy and integrity of the Group's internal control and management information system, including the system for ensuring compliance with applicable laws, regulations, rules, directives and guidelines;• Ensuring that the Group adheres to high standards of ethics and corporate behaviour; and• Strategic planning, overseeing financial and operational performance, monitoring risk management processes, merger and acquisition activities, and reviewing the adequacy of the internal control system.

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

Intended Outcome

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

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman, Datuk Zainal Abidin Bin Ujud, is primarily responsible for the leadership of the Board in ensuring the effectiveness of the roles of the Board in all aspects.</p> <p>His responsibilities are set out in the Board Charter which is available on the Company’s website at www.dancomech.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

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 Chairman position is held by Datuk Zainal Abidin Bin Ujud while the Managing Director position by Aik Swee Tong.</p> <p>In this regard, the positions of Chairman and Managing Director are separated and clearly defined, and their respective responsibilities are set out in the Board Charter which is available on the Company's website at www.dancomech.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

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

Practice 1.4

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company Secretaries, i.e. Tan Fong Shian @ Lim Fong Shian and Liew Chak Hooi, are members of the Malaysian Institute of Chartered Secretaries and Administrators, and they are competent and with the relevant experience.</p> <p>The Board obtains appropriate advice and support from the Company Secretaries on company secretarial matters, compliance with the relevant laws and regulations and adoption of corporate governance best practices. The Company Secretaries also ensure that the Board meetings are properly convened and the proceedings are properly recorded.</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.

Application	:	Applied	
Explanation on application of the practice	:	The Board members have full and unrestricted access to information on the Group's business and affairs in discharging their duties. The Board members receive complete and accurate information and materials within a reasonable time period prior to every meeting, and the minutes are circulated in a timely manner upon conclusion of the meeting. The Board members may seek advice, interact with, and request for explanations, information or updates on any aspects of the Group's operations from the management. In addition, the Board may seek independent professional advice, where appropriate, at the Group's expense.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has adopted a Board Charter which serves as a primary reference for the Board members of their duties and responsibilities as Directors of the Company as well as the functions of the Board Committees. The Board Charter is reviewed periodically to ensure that it complies with the relevant legislations and best practices, and remains relevant and effective.</p> <p>The Board Charter is available on the Company's website at www.dancomech.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has put in place the Code of Ethics of Directors and the Code of Conduct for the Directors and officers (which include Directors, management and employees), respectively. The Code of Ethics of Directors focuses the Directors to areas of ethical risk, provides guidance to Directors to help them recognise and deal with ethical issues, provides mechanisms to report unethical conduct, and helps foster a culture of integrity, honesty and accountability. Similarly, the Code of Conduct is intended to promote a corporate culture that engenders ethical conduct permeating throughout the Group.</p> <p>In addition, on 29 May 2020, the Group has adopted the Anti-Bribery and Corruption Policy which sets out the principles of the Group against bribery and corruption practices, and provides guidance to the officers and business associates of the Group in dealing with potential bribery and corruption issues that may arise in the day-to-day business of the Group.</p> <p>The Code of Ethics of Directors, the Code of Conduct, and the Anti-Bribery and Corruption Policy are available on the Company's website at www.dancomech.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group has put in place the Whistle-blower Policy where all employees are encouraged to maintain the highest level of corporate ethics and to have a professional responsibility to disclose any known malpractices or wrongdoings to the appropriate persons on the Board.</p> <p>The Whistle-blower Policy is available on the Company's website at www.dancomech.com.my.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Board currently comprises six (6) members, out of which four (4) are Independent Non-Executive Directors. Hence, the percentage of Independent Non-Executive Directors on the Board is 66.7%.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

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

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group considers the following criteria when appointing and recruiting any Board member and senior management:</p> <ul style="list-style-type: none"> • The person's skills, knowledge, expertise and experience; • The person's character and personality; • The person's competencies, commitment and career track record; and • Any potential conflict of interest that the person may have with the Group. <p>In addition, the Group has adopted the Diversity Policy to promote diversity in the Board and the workforce of the Group. In this regard, the Group is committed to managing diversity, which may result from a range of factors including age, gender, ethnicity, nationality, cultural background or other personal factors, as a means of enhancing the Group's performance by recognising and utilising contribution of diverse skills and talents of our directors, management and employees.</p> <p>The Diversity Policy is available on the Company's website at www.dancomech.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied	
Explanation on application of the practice	:	The Board is committed to having female representation on the Board and senior management though no specific target percentage is set. Currently, the Company has one (1) female Director out of the six (6) members on the Board and a female Chief Operating Officer out of the five (5) senior management members.	
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 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	There was no new appointment of Director in the financial year ended 31 December 2020. However, the Board will consider utilising independent sources to identify suitable qualified candidates when the need arises.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by the Company's Senior Independent Non-Executive Director, Mr Gong Wooi Teik.	
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

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The duties and responsibilities of the Nomination Committee include, among others, undertaking annual review of the effectiveness of the Board as a whole, the Board Committees and the individual Directors.</p> <p>During the Nomination Committee meeting held on 27 February 2020, the Nomination Committee carried out an annual review and assessment of the performance of the Board as a whole, the Board Committees and the contributions of each Director for the financial year ended 31 December 2019, and was of the opinion that:</p> <ul style="list-style-type: none">➤ the Board structure, size and composition was adequate and commensurate with the size of the Group and its business operations.➤ the diversity (including gender) in the composition of the Board was satisfactory.➤ the experiences, contribution and competencies of the individual Directors, as well as their mix of skills were adequate to enable the Board to discharge its duties and responsibilities effectively.➤ the Board and the Board Committees had been functioning effectively.➤ the Audit and Risk Management Committee had carried their duties and responsibilities in accordance with their terms of reference.➤ the contribution of each individual Director had been satisfactory.➤ the Independent Directors met the requirements of independence and were thus independent.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Remuneration Committee is responsible for recommending to the Board the remuneration packages for the Executive Directors, Non-Executive Directors and senior management of the Group after taking into consideration, among others, their individual performance, general inflation, market comparatives, their individual responsibilities and contributions, and the Group's long-term business objectives and growth.</p> <p>None of the Executive Directors, Non-Executive Directors and senior management personnel participates in determining his/her individual remuneration packages, which are reviewed annually.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	The Board has established the Remuneration Committee which is made up of all Independent Non-Executive Directors. The full Terms of Reference setting out the Remuneration Committee's composition, quorum and meeting procedures, and duties and responsibilities, can be viewed on the Company's website at www.dancomech.com.my .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	Detailed disclosure on named basis for the remuneration of the individual Directors is made in the Corporate Governance Overview Statement of the Company’s Annual Report 2020. The remuneration breakdown of the individual Directors includes fees, salaries, bonuses and other emoluments.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	With the best interest of the Group in mind, and taking into consideration the sensitivity, privacy, security, and issue of staff poaching, the Board has opted not to disclose on a named basis the remuneration of the top five (5) senior management in the bands of RM50,000. Instead, the Board discloses the top five (5) senior management's remuneration on an aggregate basis in the Corporate Governance Overview Statement of the Company's Annual Report 2020.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit and Risk Management Committee, i.e. Gong Wooi Teik, is not the Chairman of 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

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	:	None of the Audit and Risk Management Committee members for the financial year ended 31 December 2020 is a former key audit partner who required a cooling-off period of at least two (2) 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

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	:	The Audit and Risk Management Committee undertakes an assessment of the suitability, objectivity, technical competence and independence of the external auditors on an annual basis.	
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	:	All the Audit and Risk Management Committee members 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	:	Gong Wooi Teik and Lee Chen Yow, the Chairman and a member of the Audit and Risk Management Committee, respectively, are members of the Malaysian Institute of Accountants, and both of them have vast experience in financial reporting and are capable to assist the Board in reviewing and ensuring that the Company's quarterly reports and annual audited financial statements are prepared in compliance with applicable financial reporting standards. In addition, all the members of the Audit and Risk Management Committee are financially literate.	
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	:	The Board has the overall responsibility for risk management and internal control of the Group. The Board and the Audit and Risk Management Committee work closely with management to identify, evaluate, manage and report major risks that affect the Group as well as the measures taken to mitigate the risks, and to review the adequacy and effectiveness of the internal control system. Details on the risk management and internal control system of the Group are set out in the Statement on Risk Management and Internal Control of the Company's Annual Report 2020.	
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 Board has disclosed the features of its risk management and internal control framework, and the adequacy and effectiveness of the framework, in the Statement on Risk Management and Internal Control of the Company’s Annual Report 2020.	
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	:	All the Audit and Risk Management Committee members are Independent Non-Executive Directors.

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 has outsourced the internal audit function to BDO Governance Advisory Sdn Bhd, an external professional firm which is independent of the activities and operations of the Group, and BDO Governance Advisory Sdn Bhd reports directly to the Audit and Risk Management Committee. Details on the outsourced internal audit function are set out in the Audit and Risk Management Committee Report and the Statement on Risk Management and Internal Control of the Company's Annual Report 2020.	
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 Board has outsourced the internal audit function of the Group to BDO Governance Advisory Sdn Bhd which reports directly to the Audit and Risk Management Committee. The work carried out by BDO Governance Advisory Sdn Bhd for the Group is headed by its Executive Director, Karthigayan Supramaniam, who is a member of the Malaysian Institute of Accountants and a Certified Internal Auditor, Certified Information Systems Auditor and an Associate Chartered Management Accountant, United Kingdom. BDO Governance Advisory Sdn Bhd is free from any relationship or conflict of interest that could impair its objectivity and independence with the Group.</p> <p>The outsourced Internal audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing and the risk-based internal audit plan approved by the Audit and Risk Management Committee.</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	:	The Group has put in place the Corporate Disclosure Policies and Procedures to develop and maintain a positive relationship with all shareholders and stakeholders through active two (2) – way communication and to promote and demonstrate a high standard of integrity and transparency through timely, accurate, quality and full disclosure of material information to investors, the financial community and other stakeholders. The Company’s website at www.dancomech.com.my also provides the relevant information on the Group. In addition, all announcements are uploaded to the website on a timely manner.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as the Company is not a "Large Company" as defined under the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	:	Notice for the forthcoming Annual General Meeting will be sent out to shareholders at least 28 days prior to the meeting to provide the shareholders with sufficient time to prepare for the meeting.	
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

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All the Directors are required to attend/participate the Company's general meetings. In this regard, the Chairmen of the respective Board Committees will be participating in the general meetings 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 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	:	Applied	
Explanation on application of the practice	:	The Company will be conducting the forthcoming Annual General Meeting on a fully virtual basis via live streaming and online voting from a broadcast venue.	
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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