

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5071
COMPANY NAME : Coastal Contracts Bhd. (“CCB”)
FINANCIAL YEAR : 30 June 2020

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 of Directors considers corporate governance as a fundamental part of its responsibilities in managing the business and affairs of the Group and is fully committed to maintaining high standards at all times. The Group has applied the principles and the extent of its compliance with the best practice as stipulated in the Malaysian Code on Corporate Governance (“MCCG 2017”).</p> <p>The Board of Directors plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the said goals. A Strategic Plan has been adopted as one of the key policies in ensuring that the Group crystallises its future plans and provides a clear direction for the Board and the Management of the Group.</p> <p>The Board is guided by the Board Charter which sets out the role, composition and responsibilities of the Board and is posted at the Company’s website at www.coastalcontracts.com. The Board will review the Board Charter annually to ensure it remains consistent with the Board’s objectives and responsibilities.</p> <p>The Board continues to adhere to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim of ensuring that its business and operations are conducted in an ethical, moral and legal manner.</p> <p>The Board recognises the importance of adhering to and complying with the provisions of the Code of Conduct in their day-to-day functioning. Thus, the Board collectively and individually acts within the authority conferred upon them in the best interest of the Group.</p> <p>The Board has three standing committees to ensure that Board practices remain ethical and effective, while enhancing business and operational efficiency:</p> <ul style="list-style-type: none"> • Nomination Committee; • Remuneration Committee; and • Audit Committee. <p>The membership of the Committees is stated in the Annual Report 2020.</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 1.2

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	:	Mr. Ng Chin Heng serves as Executive Chairman. He provides top-level leadership and manages the overall direction of the Group. He also ensures that the views of shareholders are communicated to the board as a whole in order to identify issues and concerns. He is responsible for executing the strategy as agreed by the Board and developing objectives by leading the senior executive team. In addition, he ensures that the Group's risks are adequately addressed and appropriate internal controls are in place. Scheduling regular and effective evaluations of the Board's performance is also one of the Executive Chairman's responsibilities.	
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	:	Although the position of Chairman of the Board is to be held by a Non-Independent Executive Director, Mr. Ng Chin Heng, it however does not imply that the independence of the Board is compromised. This is perceived as appropriate and of benefit to the Group given that Mr Ng has continued to demonstrate strong leadership to the Board and proven his competency as an Executive Director, especially in driving the Group to grow year-on-year. The Nomination Committee, which comprises of all the Independent Non-Executive Directors, takes the views that the current composition and mix of Executive Directors and Independent Non-Executive Directors for the Board is appropriate.	
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>CCB has two Company Secretaries, both of whom are fully qualified. Ms. Dorothy Luk Wei Kam and Ms. Ho Ling Ling are Members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The Company Secretaries hold the following responsibilities:</p> <ul style="list-style-type: none">• updating Company records on corporate and managerial decisions;• advising the board of directors on their legal and corporate responsibilities and matters of corporate governance;• monitoring the developments in corporate governance regulations and facilitating the Board's application of the best practices of the Malaysian Code on Corporate Governance ("MCCG"), taking into account the Board's needs and stakeholders' expectations;• organising the company's board meetings and Annual General Meeting;• and recording clear, accurate and concise minutes of any Board meetings;• ensuring company compliance with legal obligations; and <p>The Company Secretaries, in keeping abreast with the latest development of all relevant laws / requirement attended various external and internal courses / trainings organized during the financial year ended 30 June 2020.</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	:	<p>The Company Secretaries issue a formal agenda with the relevant board meeting papers, at least one (1) week prior to each meeting. All Directors have access to the services of the Company Secretaries for any information or advice they may require and if need be, may take independent advice at the Company’s expense.</p> <p>The appointment and removal of Company Secretaries are matters for the Board as a whole. The Board recognises the strong and positive support of the Company Secretaries for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.</p> <p>Apart from playing an active role in advising the Board on governance and regulatory matters, the Company Secretaries also organise and attend all Board meetings and ensure that all Directors receive timely, clear and concise information in advance prior to the scheduled meetings.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The board is guided by the Board Charter which acts as a source of reference and primary induction literature in providing insights to board members and senior management and is posted at the Company’s website at www.coastalcontracts.com. The board will review the Board Charter annually to ensure it remains consistent with the board’s objectives and responsibilities, in accordance with the progressive needs of the Company and any new regulations that may have an impact on the discharge of the board’s responsibilities.</p> <p>Any subsequent amendment to the Charter can only be approved by the board. Apart from setting out the roles and responsibilities of the board, the Board Charter also outlines the membership guidelines, procedures for Board Meetings and Directors’ remuneration.</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 Board continues to adhere to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility. The Code of Conduct is posted at the Company's website at www.coastalcontracts.com.</p> <p>The Board recognises the importance of adhering to and complying with the provisions of the Code of Conduct in their day-to-day functioning. Thus, the Board collectively and individually acts within the authority conferred upon them in the best interest of the Group.</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	:	The Group is committed to ensuring that its business and operations are conducted in an ethical, moral and legal manner. In line with this commitment, the Group has implemented the Whistleblowing Policies and Procedures provide an avenue for all employees to disclose any improper conduct occurring in the course of dealing with Coastal and its businesses and operations. Under the policy, confidentiality of the matter raised and the identity of the whistle blower is protected. Any Director, officer or employee of the Group can report any improper conduct by writing to the Audit Committee Chairman, Mr Jacob O Pang Su Yin at jacob.pang@coastalcontracts.com .
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 majority independent directors.

Application	:	Applied.	
Explanation on application of the practice	:	<p>The Board comprises of six (6) members, three (3) of which are Independent Directors as follows: Mr. Loh Thian Sang @ Lo Thian Siang, Mr. Jacob O Pang Su Yin and Tuan Hj. Ir Intizam Bin Ayub.</p> <p>The Nomination Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is adequate to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>Although Mr Loh Thian Sang @ Lo Thian Siang has served a cumulative term of more than twelve (12) years on the Board as Independent Non-Executive Director, the Board views that Mr Loh's independence is not impaired merely because of his long tenure. Other factors have to be considered in assessing Mr Loh's independence. It is the Board's and Nomination Committee's responsibility to assess the level of independence of each Independent Director and their competency annually. Latest assessments of Mr Loh's independence and competency as an Independent Director are satisfactory. In addition, Mr Loh has well demonstrated his extensive experience and knowledge pertaining to the Group's unique operating environment by providing numerous constructive suggestions to the Board ever since his appointment on 2 December 2002.</p> <p>In the coming Annual General Meeting, the Company would apply the two-tier voting process in seeking shareholders' approval for him to continue to serve as Independent Director 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 4.3 - Step Up

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

Application	:	Departure.	
Explanation on adoption of the practice	:		
Explanation for departure	:	<p>The Company does not have a policy on the tenure of Independent Director, however, the Company recognises the MCCG's recommendation on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, the Independent Director may continue to serve on the Board as an Independent Director subject to assessment by the Board and shareholders' approval at the general meeting.</p> <p>The Company would apply the two-tier voting process in seeking shareholders' approval to retain Independent Director beyond twelve (12) years of tenure of office.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.4

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 practices non-discrimination in the age, gender, ethnicity or religion towards the organisation, which includes the selection of Board members. It is important to have a Board that is composed of best-qualified individuals who possess the requisite knowledge, experience, independence and good judgment so as to ensure that the Board functions effectively and able to discharge its duties in the best interests of the Group and the Company's shareholders.</p> <p>Although no female member has been appointed to the Board of Directors, it does not imply that the Board is not in favour of having a female Board member. The Board has always believed in providing equal opportunities to all genders based on merit and selecting the best candidate to attain the Company's strategic objectives and goals.</p> <p>Currently, the Board members is made up of members with a mix of skill sets, background and experiences in the areas of business, economics, finance, technical expertise and strategy that contributes effectively in leading and directing the management and affairs of the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Departure.	
Explanation on application of the practice	:		
Explanation for departure	:	The Board recognises the challenges in achieving the right balance of gender diversity on the Board. However, the Board, especially the Nomination Committee believes that it is more important to have the right mix of skills, experiences and cultural background at the Board instead of the percentage itself in order to enable the Board to perform effectively.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied.	
Explanation on application of the practice	:	<p>The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and appointments are made on merits. In searching for and making a recommendation in relation to the appointment of Director, Nominating Committee may use the wide network people known to its members or even search consultant to identify possible candidates.</p> <p>In evaluating suitable candidates, the Nomination Committee considers the competency, experience, commitment, contribution and integrity of the candidates.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied.	
Explanation on application of the practice	:	The Nomination Committee is chaired by Mr. Jacob O Pang Su Yin, an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Nomination Committee will conduct annual assessment on the Board and the Board Committees. The assessment and evaluation is properly documented.</p> <p>The process of assessing the Directors is an on-going responsibility of the entire Board, made possible by a formal evaluation process to annually assess the effectiveness of the Board Committees, as well as the contribution and performance of each individual Director. The criteria used includes an assessment of their roles, duties, responsibilities, competency, expertise and contribution whereas for the Board and Board Committees, the criteria used include composition, structure, accountability, responsibilities, adequacy of information and processes.</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 6.1

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 ensures that formal and transparent remuneration policies and procedures have been put in place to attract and retain Directors of adequate competency in order to run the Group successfully. Remuneration packages for executive directors shall be fair in accordance with their achievements and contributions to the Group. The Committee has the right to obtain independent consultants' advice and information about remuneration practices elsewhere.</p> <p>The remuneration policies and procedures is available for reference at the Company's website at www.coastalcontracts.com.</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	:	Departure.	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board has a Remuneration Committee which functions include evaluating and making its recommendations on all aspects of the Executive Directors’ performance, terms of employment, remuneration packages and incentives, and recommending to the Board the Company’s framework for retaining and rewarding the Executive Directors.</p> <p>The Terms of Reference are available for reference at the Company’s website at www.coastalcontracts.com.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied.	
Explanation on application of the practice	:	The aggregate remuneration paid or payable to all Directors of the Company for the financial year ended 30 June 2020 is disclosed on page 33 of the 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

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	:	<p>The remuneration of the top five senior management is not disclosed as it is deemed be detrimental to its business interests, given the competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, where poaching has become common place.</p> <p>The Company further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's top five senior management personnel who are not Directors.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	Departure.
Explanation for departure	:	The explanation for departure refers to the aforementioned Practice 7.2.

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 Committee is Mr Jacob O Pang Su Yin and Chairman of the Board is Mr Ng Chin Heng.	
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	:	Departure.	
Explanation on application of the practice	:		
Explanation for departure	:	No such policy as the Company has no intention to appoint former auditors as Director.	
<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	:	To ensure independence, the Company obtains written assurance from the external auditors confirming that they have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The Audit Committee also reviews and assesses the appointment and re-appointment of the external auditors via an assessment checklist in accordance with the assessment criteria covering regulatory requirements. Terms of engagement for services provided by the external auditors are also reviewed by the Audit Committee prior to submission to the Board for approval. The Board, upon concurrence with the outcome of the assessment approved the re-appointment of external auditor based on the Audit Committee’s recommendation subject to shareholder’s approval at the annual general meeting.
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	:	Applied.
Explanation on adoption of the practice	:	The Audit Committee comprised of three 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 adoption of the practice	:	All members of the Audit Committee play key supporting roles by contributing their knowledge, guidance and experience towards making independent judgement on issues of strategies, performance, resources and standards of conduct. Majority of the members of the Audit Committee have the necessary financial, technical and commercial expertise required to meet their responsibilities and provide an effective level of challenge to management. All the Audit Committee members receive ongoing training and development as detailed in the “Directors’ training” section of the CG Overview Statement on page 31.
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 confirms that there is an ongoing process for identifying, assessing and managing the principal risks faced by the Group, which is in accordance with the guidance as contained in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers". This process includes reviewing and updating the system of internal controls to take into consideration changes in the regulatory and business environment.</p> <p>Details of the Group’s Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control, which is on pages 37 to 38 of the Company’s Annual Report 2020.</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	:	Details of the Group’s Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control, which is on pages 37 to 38 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	:	Applied.
Explanation on adoption of the practice	:	The Board size of the Company is small which only consists of three Independent Directors, thus the Company does not have a separate committee for risk management. The function of risk management is however been absorbed by the Audit Committee.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Audit Committee is responsible for reviewing the adequacy of the internal audit scope and plan, and the findings identified by the internal audit function.</p> <p>The internal audit function is outsourced to KPMG Management and Risk Consulting Sdn. Bhd. which reports directly to the Audit Committee.</p> <p>The scope of work covered by the internal audit function is determined by the Audit Committee after careful consideration and discussion of the audit plan with the Board. Observations from internal audits were presented to the Audit Committee together with management's response and proposed action plans for its review. The action plans were then followed up during subsequent internal audits with implementation status reported to the Audit 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

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 outsourced its internal audit function to KPMG Management and Risk Consulting Sdn. Bhd. The role of the internal audit function, which reports directly to the Audit Committee, is to support the Audit Committee by providing it with independent and objective reports on the adequacy and effectiveness of the system of internal control and the extent of compliance with the procedures and by recommending ways to rectify shortfall and improve the existing control environment in relation to the Group’s operations. It submits its findings and recommendations to the Audit Committee and senior management of the Group.</p> <p>The Internal Audit adopts a risk-based approach with focus on effective risk management practices and is guided under International Professional Practices 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>Communication between the Company and its shareholders are done in the following manner:</p> <p>a. Dialogue between Company and Investors</p> <p>The annual report, quarterly reports and various mandatory announcements are the main channel of information by the Company of its financial performance, operations and corporate developments.</p> <p>The Company's website at www.coastalcontracts.com contains vital information concerning the Group which is updated on a regular basis and shareholders are able to put questions to the Company through the website.</p> <p>The Board considers it essential that investors are kept informed of all the latest financial result and developments of the Company and where appropriate, will provide disclosure that is in the best interest of the Company and also of the shareholders. All such reporting information can be obtained from the websites of the Company and Bursa Malaysia Securities Berhad.</p> <p>b. The Annual General Meeting</p> <p>The Annual General Meeting is an important event for the Company as the Board has the opportunity to have a dialogue with the shareholders to present the results and performance of the Group and to address all questions that may arise. Suggestions and comments by shareholders will be noted by the Board for consideration.</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	:	Not applicable as the Company is not a large Company as defined by MCCG.	
<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	:	The notice for the upcoming Annual General Meeting in 2020 has been provided to shareholders on 28 October 2020, more than 28 days before the meeting to be held on 16 December 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

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>During the last Annual General Meeting, the Chairmen of the respective Board Committees were present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Board Committees.</p> <p>For the coming Annual General Meeting, the Board will continue its past practice to have the full Board present at the 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

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>Not applicable to the Company in view that CCB has not in the past held meetings in remote locations and has no intentions to hold General Meetings in remote locations.</p> <p>Currently, CCB provides Proxy Forms for the shareholders who are unable to be present at General Meetings to sign in advance, which entitles them to appoint one (1) but not more than two (2) proxies to attend the Meeting and vote on their behalf.</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.

N/A
