

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0196  
**COMPANY NAME** : QES GROUP BERHAD  
**FINANCIAL YEAR** : December 31, 2019

## **OUTLINE:**

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>QES Group Berhad's Board of Directors ("the Board") is responsible for leading QES Group Berhad and its subsidiaries ("the Group") and is accountable to the shareholders and stakeholders to create long term sustainability within the Group. The Group's CG framework embeds the right values and standards throughout the Group.</p> <p>In the Group, there were high levels of interaction between the Board to successfully formulate and implement the Group's business strategy. The Group's setting and review strategy is an integral part of matters reserved for the Board.</p> <p>The Board will scrutinise the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provide guidance and input to the management.</p> <p>The duties and responsibilities of the Board are encapsulated in the Board Charter which is available on the Company's corporate website at <a href="http://www.qesnet.com">www.qesnet.com</a>.</p> <p>In discharging its overall duties and responsibilities, the Board and Board Committee undertook the following activities during the FYE 2019 :-</p> <p>(i) <u>Review the Company's business operations</u></p> <p>The management provide reports on the progress of the respective business operations and status for the deliberation by the Board.</p> <p>(ii) <u>Promote Good Corporate Governance Culture</u></p> <p>The Board had reviewed and approved the publication of the Annual Report.</p>

	<p>(iii) <u>Identifying principal risk</u></p> <p>The Board, with the recommendation of the Audit Committee, deliberated and approved the following: -</p> <ol style="list-style-type: none"> <li>1. Risk assessment report;</li> <li>2. Risk management template; and</li> <li>3. Risk management policies and procedures</li> </ol> <p>The Board also approved the relevant principal risks for its business activities for the Group.</p> <p>(iv) <u>Succession planning</u></p> <p>The Board delegated its duty on succession planning to the Nomination Committee. The Nomination Committee reviews the required mix of skills, experience and other requisite qualities of the Directors.</p> <p>(v) <u>Development and implementation of shareholder communications policy</u></p> <p>Shareholders are updated with the performance and results of the Group through engagements and public release of the relevant information on the Company's corporate website at <a href="http://www.gesnet.com">www.gesnet.com</a>.</p> <p>In order to ensure orderly and effective discharge of the above functions and responsibilities, the Board has also delegated certain responsibilities to other Board Committees. Standing Committees of the Board includes Audit Committee, Nomination Committee and Remuneration Committee which operates within clearly defined terms of reference. The Board receives reports at its meetings from the Chairman of each Committee on current activities and it is the general policy of the Company that all major decisions be considered by the Board as a whole.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Encik Adnan Bin Zainol was appointed as the Independent Non-Executive Chairman of the Company.</p> <p>The roles and responsibilities of the Chairman of the Board are encapsulated in the Board Charter.</p> <p>The key responsibilities undertaken by the Chairman are as follows: -</p> <ul style="list-style-type: none"> <li>(i) Provides leadership for the Board so that the Board can perform its responsibilities effectively;</li> <li>(ii) Leads the Board meetings and discussions to enable appropriate decisions are made to ensure that no Board members, whether Executive or Non-Executive, dominates the discussion;</li> <li>(iii) Encourages active participation and allows dissenting views to be freely expressed;</li> <li>(iv) Communicates with the management from time to time to ensure the Company complies with all relevant laws and regulations;</li> <li>(v) Ensures appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole; and</li> <li>(vi) Leads the Board in establishing and monitoring good Corporate Governance practices in the Company.</li> </ul> <p>Encik Adnan works closely with the Executive Directors to plan meeting agendas to keep abreast of the latest market and Group developments. He also ensures that there is frequent interface between the Board and the management and ensures that his key responsibilities as set out in the Board Charter are adhered to.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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 the Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of the Chairman, and the Managing Director in the Company are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of the Company to ensure a balance of power and authority between the Chairman and the Managing Director.</p> <p>The Chairman of the Board, Encik Adnan Bin Zainol is responsible for instilling good Corporate Governance practices, leadership and effectiveness of the Board. Meanwhile, Mr. Chew Ne Weng, the Managing Director of the Company is responsible for implementation of the policies, strategies and decisions adopted by the Board as well as day-to-day management of the Company's operations and shall adhere to the guidelines and instructions provided by the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had appointed a qualified Company Secretary who is a member of the Malaysian Institute of Accountants and is qualified to act as Company Secretary under Section 235(2) of the Companies Act, 2016.</p> <p>The Company Secretary manages all Board and Board Committee meeting logistics, attending and recording minutes to ensure that deliberations at Board and Board Committee meetings are well documented and facilitate Board communications.</p> <p>The Company Secretary play an advisory role to the Board, particularly with regards to the Company's Corporate Governance best practices and its compliance with regulatory requirements, codes, guidance and legislations.</p> <p>During the Annual General Meeting / Extraordinary General Meeting, the Company Secretary will assist the Chairman and the Board to conduct the meeting and ensure the minutes are properly recorded, particularly, questions raised by the shareholders.</p> <p>During the FYE 2019, the Company Secretary undertook continuous professional development by attending the following seminars and trainings:-</p> <ul style="list-style-type: none"><li>(i) Regulatory Framework: Pre and Post-IPO;</li><li>(ii) Constitution- Purpose, Effect and Alteration;</li><li>(iii) Tax Planning and Companies Act 2016 Updates; and Limited Liability Partnership (LLP) with Tax Planning and</li><li>(iv) Companies Act 2016 Updates</li></ul>
<b>Explanation for departure</b>	:	

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is provided with appropriate information and comprehensive Board papers on a timely manner prior to Board meetings to ensure that the Directors have sufficient preparation time and information to make an informed decision at each Board meeting.</p> <p>Annual meeting calendar which provides details of scheduled dates for Board Meeting, Board Committee Meeting and Annual General Meeting are given to Directors at the beginning of the year. The Directors and Principal Officer would receive notification on closed periods for dealings in securities based on the targeted dates of announcement of the Company's quarterly results.</p> <p>Management is invited to attend the Board and Board Committee meetings to brief and provide explanations to the Directors and the Board on the operations of the Group.</p> <p>The deliberations and decisions at the Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board implemented its Board Charter on 11 October 2017. It sets out the roles, functions, composition, operation and processes of the Board and to ensure all Board members acting on behalf of the Company are aware on their duties and responsibilities as Board members.</p> <p>Key matters reserved for the Board's approval includes approval of the annual and quarterly financial results, annual budgets, major capital commitments, dividend policy, business continuity plan and corporate plan, managing conflict of interest issues, new issues of securities, business restructuring, expenditure above a certain pre-determined limit, disposal of significant fixed assets and acquisition or disposal of companies within the Company.</p> <p>The Board reviews the Board Charter regularly, to keep it up to date with changes in regulations and best practices.</p> <p>The Board Charter is available on the Company's corporate website at <a href="http://www.qesnet.com">www.qesnet.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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 the management, implements its policies and procedures, which includes 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 corporate website.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board establishes a Code of Conduct and Ethics for the Company, and together with the management, implements its policies and procedures, which includes dealing with customers and suppliers, managing conflicts of interest, maintaining confidential information, accepting gifts, loans and entertainment, accepting directorship outside the Company, complying with laws and regulations, ensuring a healthy and safe environment, protection and use of company's asset, insider information and securities trading and sexual harassment. The Code of Conduct and Ethics is periodically reviewed and is available on the Company's corporate website at <a href="http://www.gesnet.com">www.gesnet.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board has established, reviewed and implemented the policies and procedures on whistleblowing. The Group's whistleblowing policies and procedures provides an avenue for all employees of the Group and members of the public to raise concerns or disclose any improper conduct within the Group and to take appropriate action to resolve them effectively. The Group's whistleblowing policies and procedures is periodically reviewed and is available on the Company's corporate website at <a href="http://www.qesnet.com">www.qesnet.com</a>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has 6 members comprising of 2 Executive Directors and 4 Independent Non-Executive Directors.</p> <p>The composition fulfils the requirements as set out under the ACE Market Listing Requirements of Bursa Securities which stipulates that at least 2 Directors or 1/3 of the Board, whichever is higher, must be independent and also fulfils the MCCG Practice 4.1 which requires at least half of the Board comprises Independent Directors.</p> <p>On 24 February 2020, the Board through the NC had conducted an assessment and review of the independence of the Independent Non-Executive Directors which were prepared in accordance with the definition of Independent Director under Rule 1.01 of the AMLR.</p> <p>The Independent Non-Executive Directors are free to meet without the presence of management on a regular basis whereby they can candidly share concerns about the Group and exchange views on potential improvements in governance.</p>
<b>Explanation for departure</b>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	:
<b>Timeframe</b>	:

## Intended Outcome

The 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.

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

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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 the Board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board and the Nomination Committee takes into account the Board diversity, including gender, ethnicity, age, experience and skill, to ensure the effective functioning of the Board.</p> <p>A Board Matrix has been developed and used as reference for the Boards' succession planning. Presently, the members of the Board includes professionals from diverse ethnicity and age, bringing with them depth, diversity of expertise, a wide range of experience and perspective in discharging their responsibilities by adding positive values to the Group. The profile of each Director are presented in pages 5 to 7 of this Annual Report 2019.</p> <p>The Company's business is organised along functional line where department managers are responsible for the execution of their duties. The Company practice management empowerment, whereby department managers are relatively autonomous and have significant decision-making authority within their span of control and within clearly define boundaries. As such there is no over reliance on the Managing Director to be involved in all details and aspect of the Company's operational and functional area. This allows the Managing Director to focus on more strategic matters of the business.</p> <p>Nevertheless, to ensure business continuity, the Company has taken appropriate steps such as professional mentoring, on-the-job training and professional learning and development to ensure the implementation of succession planning in every department.</p> <p>The Company encourages the Senior Management to identify employees who have the potential to move into leadership positions and to expose such potential leadership talent to various development opportunities to groom and to provide them with the skill sets and experiences required to take on higher level leadership positions and greater responsibilities.</p> <p>In addition, the Company also encourages Senior Management to groom the lower and middle management staff to gradually assume higher responsibilities and encourages the middle management to participate in discussion for decision-making.</p>

	<p>From time to time, Senior Management will carry out meetings with regional managers to review the business and product strategies as well as setting the annual target. This gives the managers an overall view of the business direction and the growth of the Company as a whole.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board takes note of the gender diversity recommendations under the Malaysian Code of Corporate Governance 2017 and will continue to prioritise women candidates in future recruitment exercise.</p> <p>During the year, the Board through the Nomination Committee had assessed and evaluated a number of women candidates and nominated for the appointment of Puan Maznida Binti Mokhtar as Independent Non-Executive Director and member of Audit Committee.</p> <p>Puan Maznida Binti Mohktar was appointed to the Board on 1 August 2019.</p> <p>The Nomination Committee will continue to recommend appointments to the Board based on diversity measured against meritocracy and other objective criteria such as skills and experience the individual offers.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The current process with regards to the appointment of new Directors to the Board are decided by the members of the Board from the recommendations of the Nomination Committee based on the Directors' network and referrals from major shareholders.	
		<p>The Directors appointment process is carried out based on methodical and robust process undertaken by the Nomination Committee. Candidates are thoroughly assessed based on their competence, integrity, character, time commitment and experience.</p> <p>Moving forward, the Board will utilise independent sources to identify suitably qualified candidate for future candidate of Directors.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>During the year under review, evaluation of the effectiveness of the Board, Board Committees as well as individual Directors including Independent Director was conducted in-house under the purview of the Nomination Committee and facilitated by the Company Secretary.</p> <p>The evaluation criteria for the Board, Board Committees and individual Directors are primarily anchored on regulatory development and emerging best practices of MCCG as the method of evaluation.</p> <p>Below is a summary of the activities undertaken by the Nomination Committee for the FYE 2019: -</p> <ul style="list-style-type: none"><li>(a) Assessed the overall Board and Board Committees' performance and effectiveness as a whole;</li><li>(b) Reviewed and assessed the independence of Independent Directors and their tenure of service;</li><li>(c) Reviewed and assessed the term of office and performance of the Audit Committee and each of its members;</li><li>(d) Reviewed the succession plan for the Board members;</li><li>(e) Reviewed and assessed the performance, and made recommendations to the Board for its approval, regarding the Directors who are seeking for re-election at the upcoming AGM; and</li><li>(f) Assessed Directors' training to ensure all Directors receive appropriate continuous training programmes.</li></ul>

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has in place a Remuneration Policies for Directors. The policy serves as a guidelines for the Board in remunerating Directors with a view to attract, retain and motivate talented and high-calibre individuals.</p> <p>The remuneration policy is periodically reviewed by the Remuneration Committee prior to making its recommendations to the Board for approval. In its review, the Remuneration Committee considers various factors including the Non-Executive Directors fiduciary duties, time commitments expected of them and the Company's performance.</p> <p>The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had established the Remuneration Committee ("RC") on 11 October 2017</p> <p>The primary objective of the RC is to establish a documented, formal and transparent procedure for assessing and reviewing the remuneration packages of Executive Director and Non-Executive Director in order to ensure the remuneration of the Directors reflect their responsibility and commitment undertaken by them and also to attract and retain right talent in the Board to drive the Company's long-term objectives.</p> <p>The present composition of the RC consists of 4 members of the Board, all of whom are Independent Non-Executive Directors: -</p> <p>Chairman of RC: Chia Gek Liang <i>Independent Non-Executive Director</i></p> <p>Members of RC: Adnan Bin Zainol <i>Independent Non-Executive Chairman</i></p> <p>: Hoh Chee Mun <i>Independent Non-Executive Director</i></p> <p>: Chew Ne Weng <i>Managing Director</i> <i>(Appointed as member of Remuneration Committee on 1 August 2019)</i></p> <p>The Terms of Reference of the RC can be viewed on the Company's corporate website at <a href="http://www.qesnet.com">www.qesnet.com</a>.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		



## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on named basis for the remuneration of individual directors are set out in the Corporate Governance Overview Statement at page 32 of the Annual Report 2019.	
<b>Explanation for departure</b>	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management commensurates 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 components including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure							
<b>Explanation on application of the practice</b>	:								
<b>Explanation for departure</b>	:	Details of the remuneration of each Senior Management on named basis is not disclosed due to confidentiality reasons and such disclosure may be prejudicial to the Company's business interests given that poaching of qualified Senior Management is common.							
		As an alternative, details of Senior Management whose remuneration falls within successive bands of RM50,000 is set out below:							
		<table border="1"> <thead> <tr> <th>Range of Remuneration</th> <th>Number of Senior Managements</th> </tr> </thead> <tbody> <tr> <td>RM450,000 to RM500,000</td> <td>2</td> </tr> <tr> <td>RM650,000 to RM700,000</td> <td>1</td> </tr> <tr> <td>RM1,200,000 to RM1,250,000</td> <td>1</td> </tr> </tbody> </table> <p>The Board is of the view that the transparency and accountability aspects of the MCCG 2017 on disclosure of the remuneration are appropriately served by the above remuneration disclosures in bands of RM50,000.</p>	Range of Remuneration	Number of Senior Managements	RM450,000 to RM500,000	2	RM650,000 to RM700,000	1	RM1,200,000 to RM1,250,000
Range of Remuneration	Number of Senior Managements								
RM450,000 to RM500,000	2								
RM650,000 to RM700,000	1								
RM1,200,000 to RM1,250,000	1								
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>									
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.							
<b>Timeframe</b>	:	Choose an item.							

### **Intended Outcome**

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

### **Practice 7.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board established the Audit Committee ("AC") on the 11 October 2017.</p> <p>The AC was established to assist the Board with the primary objective of providing an additional assurance to the Board by giving an objective and independent review of financial, operational and administrative controls and procedures, establishing and maintaining internal controls, reinforce the independence of the Company's External Auditors, evaluate the quality of the Internal Auditors and oversee compliance with laws and regulations together with observance of a proper code of conduct.</p> <p>The present composition of the AC consists of 4 members of the Board, all of whom are Independent Non-Executive Directors: -</p> <p>Chairman of AC : Hoh Chee Mun <i>Independent Non-Executive Director</i></p> <p>Members of AC : Adnan Bin Zainol <i>Independent Non-Executive Chairman</i></p> <p>: Chia Gek Liang <i>Independent Non-Executive Director</i></p> <p>: Maznida Binti Mokhtar <i>Independent Non-Executive Director</i> <i>(Appointed as member of Audit Committee on 1 August 2019)</i></p> <p>The Board took note that the Chairman of the AC is not the Chairman of the Board.</p> <p>The Terms of Reference of the AC can be viewed on the Company's corporate website at <a href="http://www.qesnet.com">www.qesnet.com</a>.</p>
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board took note on recommendations in MCCG 2017 to have a policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee.  None of the members of the Board were former key audit partners.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>During the FYE 2019, the External Auditor, Moore Stephens Associates PLT ("MSA") made 2 presentations which were as follow: -</p> <ul style="list-style-type: none"><li>(i) Audit Planning Memorandum which outlined its engagement team, audit approach, audit timeline, the areas of audit emphasis, and their focus on Key Audit Matters with reference to the International Standard on Auditing 701; and</li><li>(ii) Audit and Risk Management and Closing Presentation for the FYE 2019 which update the current status of the audit, highlights and explains the disposition of the salient accounting and audit issues, the Key Audit Matters identified during the audit, any significant deficiencies in internal control and highlighted MSA's assessment of the risks or material misstatements and communicate with the Audit Committee on other matters required under ISA 260 Communication with those charged with Government.</li></ul> <p>The Audit Committee had undertaken an annual assessment of the suitability and independence of MSA.</p> <p>The assessment was done using a Likert- Scale questionnaire considering the following factors :-</p> <ul style="list-style-type: none"><li>(i) Adequacy of the experience and resources of MSA;</li><li>(ii) Audit engagements; and</li><li>(iii) Sufficiency of resources of MSA</li></ul> <p>Based on the assessment done in February 2020 and the tabulation of the results of the assessment to the Board, the Board with the recommendation of Audit Committee was satisfied with the suitability of MSA to be reappointed as External Auditors of the Company.</p> <p>The Board would be seeking shareholders' approval at the 6<sup>th</sup> AGM on the re-appointment of MSA as External Auditors of the Company.</p>

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

**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.

<b>Application</b>	: Adopted
<b>Explanation on adoption of the practice</b>	: The Audit Committee members of the Company solely comprises of Independent 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The review of the composition of the Audit Committee shall be conducted annually by the Nomination Committee in accordance with Rule 15.20 of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad.</p> <p>Mr. Hoh Chee Mun, the Chairman of the Audit Committee, is a Chartered Accountant and is currently a member of Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA").</p> <p>Accordingly, this meets the requirements of paragraph 15.09(1)(c) of the ACE Market Listing Requirements of Bursa Securities.</p> <p>Encik Adnan Bin Zainol, has accumulated over 21 years of working experience in banking industry.</p> <p>Mr. Chia Gek Liang had 9 years tenure in investment banking whereby he was involved in a wide variety of assignments which include initial public offerings, debt and equity fund raising, mergers and acquisitions, reverse take-over, corporate and debt restructuring and privatisation exercise. He was also admitted as Advocate and Solicitor of the High Court of Malaya in 2012.</p> <p>Puan Maznida Binti Mokhtar was a Co-Founder of SKALI Group of Companies and was the Chief Financial Officer for 23 years.</p> <p>The Chairman and members of the Audit Committee are financially literate and have carried out their duties in accordance with the Terms of Reference of the Audit Committee.</p>

	<p>The Nomination Committee is satisfied that the Audit Committee have discharged their functions, duties and responsibilities in accordance with the Audit Committee’s Terms of Reference and supported the Board in ensuring the Company upholds appropriate Corporate Governance standards.</p> <p>All members of the Audit Committee are mindful that they should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.</p> <p>The composition of the Audit Committee, attendance of meetings by the individual members and the summary of activities are set out in the Audit Committee Report on pages 41 to 43 of the Annual Report 2019.</p>	
<b>Explanation for departure</b>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>		
<b>Timeframe</b>		

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised an Enterprise Risk Management (“ERM”) framework which explains the Company’s underlying approach to risk management, documents the roles and responsibilities of the Board, Audit Committee, and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures.</p> <p>In addition, the ERM framework describes the process that the Board will use to evaluate the effectiveness of the Company’s internal control procedures.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Company in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board.</p> <p>The Internal Auditor had presented their review on the risk management and internal control framework to the Audit Committee members, and thereafter had recommended to the Board for approval.</p> <p>The Statement on Risk Management and Internal Control is set out on Pages 37 to 40 of the Annual Report 2019 which provides an overview on the state of risk management and internal controls within the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The Group currently does not have a separate Risk Management Committee. The function of the Risk Management Committee is currently undertaken 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Company outsourced its Internal Audit (“IA”) function to Smart Focus Group Sdn. Bhd. (“Smart Focus”).</p> <p>Smart Focus is an independent firm which are able to perform its duties in an objective manner and provide impartial advice directly to the Audit Committee.</p> <p>To ensure that the responsibilities of IA are fully discharged, the Audit Committee: -</p> <ul style="list-style-type: none"><li>(i) ensures that the person responsible for the IA function has relevant experience, sufficient standing and authority to discharge his function effectively;</li><li>(ii) review the IA plan, processes and results of the IA assessment;</li><li>(iii) review any appraisal or assessment of the performance of the IA function;</li><li>(iv) approve any appointment or termination of the IA function;</li><li>(v) take cognisance of resignations of IA function; and</li><li>(vi) ensure the IA function has sufficient resources to carry out its role effectively.</li></ul> <p>The principal responsibility of the internal audit is to undertake regular and systematic review of the systems of internal control, risk management process and compliance with the Company’s established policies and procedures so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Company. Functionally, the Internal Audit reviews and assesses the Company’s systems of internal control and report to the Audit Committee directly.</p> <p>The final report containing the audit findings and recommendations together with responses by management were circulated to all members of the Audit Committee. Areas of improvement identified were communicated to the management for further action. All internal audit reports were reviewed by the Audit Committee and discussed at the Audit Committee Meetings and recommendations were duly acted upon by the management. Follow-up reviews would subsequently be performed to ascertain the extent of implementation of the recommended corrective action for improvements.</p>

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

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Group's internal audit function is carried out by an outsourced internal audit firm Smart Focus Group Sdn Bhd ("Smart Focus") and headed by an Associate Director who is professional member of IIAM (Institute of Internal Auditors of Malaysia). The internal audit activities were reported directly to the Audit Committee based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.</p> <p>The Internal Auditor ("IA") adopts the International Professional Practices Framework inclusive of the mandatory elements – Core Principles for the Professional Practice of Internal Auditing, International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, the definition of Internal Auditing, and Code of Ethics to manage its functions and perform the audit engagements.</p> <p>The IA is also guided by the internal policies, procedures and framework as well as the Internal Control Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and Control Objectives for Information and Related Technology (COBIT) in assessing and reporting on the adequacy and effectiveness of the design, implementation and efficiency of the Group's overall system of internal controls, risk management and governance.</p>



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

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board ensures there is effective, transparent and regular communication with its shareholder.</p> <p>The Board recognises the importance of maintaining transparency and accountability to its shareholders and to disseminate information on the Company’s performance and any significant developments on a timely manner.</p> <p>Presently, the Board and management of the Company communicate regularly with its shareholders through the following channels of communication:</p> <p>(i) Bursa Malaysia Securities Berhad The Company releases all material information publicly through Bursa Malaysia Securities Berhad and the shareholders and the public in general may obtain such announcements and financial information from the website of Bursa Malaysia Securities Berhad.</p> <p>(ii) Corporate Website The Company’s corporate website, <a href="http://www.qesnet.com">www.qesnet.com</a>, incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by for both shareholders and the public.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board is mindful on the benefit of integrated reporting which is applicable for Large Companies. As QES is not under the category of Large Companies, the Board has not prepared the Integrated Report.	
		Currently, the Group has yet to adopt an integrated reporting as the Company is not a Large Companies as defined by MCCG. We believe that the Company’s integrated reporting journey should be built on the foundational steps in tandem with the growth of the Company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board ensures that the dispatch of its notice of Annual General Meeting (“AGM”) is done at least 28 days before the meeting and are mindful that the sufficient notice and time given would allow the shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney. This would also enable the shareholders to properly consider the resolutions that will be discussed and decided at the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All Directors attended and participated at the 5<sup>th</sup> AGM held on 25 June 2019.</p> <p>The presence of all Directors presented opportunities for shareholders to effectively engage with each director. Accordingly, barring unforeseen circumstances, all Directors as well as the Chairman of respective Board Committees will be present at the forthcoming AGM of the Company to enable the shareholders to raise questions and concerns directly to those responsible.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company's AGM is held in the city centre and not in remote location.	
		In line with the Practice 12.3 of the MCCG 2017 in promoting electronic voting, the Board will consider adopting electronic voting in future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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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