

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5139
COMPANY NAME : AEON CREDIT SERVICE (M) BERHAD
FINANCIAL YEAR : February 28, 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, 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 (the “Board”) sets the strategic direction and vision of AEON Credit Service (M) Berhad (“AEON Credit” or “the Company”). The Board takes full responsibility in leading, governing, guiding and monitoring the entire performance of the Company and enforces standards of accountability, all with a view to enabling Management to execute its responsibilities effectively and efficiently.</p> <p>The Board is the ultimate decision-making body of the Company, with the exception of matters requiring shareholders’ approval. During the financial year ended 28 February 2019 (“FYE 2019”), the Board had approved the revised strategic direction and mid-term plan as well as annual business plan, financial budgets and organisation structure of the Company for the financial year ending 28 February 2020.</p> <p>During the year under review, Board Meetings were held on a monthly basis in order for the Board to discharge its responsibilities and meet the goals of the Company. Key focus areas for the Board meetings were review of financial performance, business strategy, market developments, risk management and key risk indicators. Further, the Board was also involved in deliberation and decision making on corporate proposals and other matters subject to review and approval of the Board in accordance with demarcation of responsibilities under the Board Charter.</p> <p>The Board delegates specific responsibilities to the Board Committees comprised:</p> <ul style="list-style-type: none"> • Audit Committee (“AC”) • Nominating Committee (“NC”) • Remuneration Committee (“RC”) • Board Risk Committee (“BRC”)

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	<p>The BRC was established on 23 January 2019, comprising entirely of Independent Directors, to oversee the Company’s risk management framework and policies. Further details are set out in explanation on application of Practice 9.3 in this report.</p> <p>The above Committees operate within clearly defined roles and responsibilities as set out in the terms of reference of each of the Committees. The Board Committees report to the Board on their deliberations, findings and recommendations.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

AEON CREDIT SERVICE (M) BERHAD (Company No. 412767-V)

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by a Chairman who is responsible for the leadership and management of the Board and ensuring the Board and its Committees function effectively.</p> <p>Ng Eng Kiat, an Independent Non-Executive Director of the Company since August 2007, was appointed as the Chairman of AEON Credit on 8 May 2018. He was re-designated as a Non-Independent Non-Executive Director on 23 January 2019.</p> <p>As the Chairman of the Board, he assumes the formal role of a leader with responsibility for instilling good corporate governance practices. He chaired twelve (12) out of thirteen (13) Board meetings during the financial year, led discussions among Directors and provided leadership to the Board in its oversight of management.</p> <p>Further details on the role of the Chairman are stipulated in the Board Charter which is available on the corporate website at https://www.aeoncredit.com.my/aeon-corporate/about-us/board-charter</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman and Managing Director (“MD”) are different individuals. Ng Eng Kiat, currently a Non-Independent Non-Executive Director, is the Board Chairman, while the MD of the Company is Kenji Fujita.</p> <p>To ensure balance of authority, increased accountability and a greater capacity for independent decision-making, the roles of Chairman and MD are distinct and separate with a clear division of responsibilities between the Chairman and the MD. The Chairman is responsible for ensuring the adequacy and effectiveness of the Board’s governance processes, acts as a facilitator at Board meetings and leads the Board in oversight of proper conduct and management of the affairs of the Company. The MD, supported by the Executive Management team, implements the Company’s strategic plans, policies and decisions adopted by the Board and oversees the operations and business development of the Company.</p> <p>Further details of the division of duties and responsibilities of the Chairman and MD are stipulated in the Board Charter.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has appointed two (2) professionally qualified Company Secretaries namely Tai Yit Chan and Choong Lee Wah to discharge their role as set out in the Board Charter.</p> <p>The Company Secretaries kept themselves abreast with regulatory changes and developments in corporate governance and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Malaysian Code on Corporate Governance 2017 ("MCCG"), the Companies Act 2016 and other rules and regulations through continuing education and professional trainings.</p> <p>The Company Secretaries discharged their role during the year by providing updates and counsel to the Board on the above-mentioned areas, attending all Board and Board Committees meetings and recording meeting minutes and resolutions of the Board and Board Committees. Further, the Company Secretaries also reviewed supply of relevant information and adequacy of meeting materials, provided guidance on stakeholders' communication and assisted in managing processes related to the Company's General Meetings.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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>Management provides the Board and Board Committees with sufficient information and materials in timely manner to enable Directors to discharge their duties and responsibilities effectively.</p> <p>Meeting materials for Board and Board Committee meetings are generally circulated to Directors at least five (5) business days prior to the date of the Board meeting to allow the Directors sufficient time to review the meeting materials and issues arising, except in unavoidable circumstances.</p> <p>The deliberations and decisions of the Board/Board Committees are recorded in the minutes of meetings which are circulated to the Board/Board Committees together with the meeting materials for the following meeting. A Director is required to abstain from deliberations and voting in respect of any contract or proposed contract or arrangement in which he/she has direct or indirect interest. Directors may seek independent clarification/advice, when necessary, on any matters in relation to the discharge of their duties.</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 Charter of the Company was last revised and approved by the Board on 23 January 2019 to ensure relevance and compliance.</p> <p>The Board Charter which is available on the corporate website at https://www.aeoncredit.com.my/aeon-corporate/about-us/board-charter sets out, among others, the principal role of the Board and the demarcation of the roles, responsibilities and powers of the Board, various Board Committees and senior management of the Company.</p> <p>The Board Charter stipulates key policies of the Company related to the following areas:</p> <ul style="list-style-type: none"> (i) Roles and functions of Board and Board Committees (ii) Roles of Independent Directors and Non-Executive Directors (iii) Separation of position of Chairman and Managing Director (iv) Matters reserved for Board approval (v) Ethics and Compliance (vi) Risk Management (vii) Succession Planning (viii) Investor Relations and Shareholder Communication (ix) Director’s Term of Service, Assessment and Other Matters (x) Right of Directors to access information and advice <p>The Board has adopted a schedule of matters specifically reserved for its approval in accordance with the Board Charter.</p> <p>The Board Charter takes into consideration applicable rules, laws and regulations including internal policies. Further, the Board Charter is periodically reviewed and updated as and when necessary.</p>
Explanation for departure	:	

AEON CREDIT SERVICE (M) BERHAD (Company No. 412767-V)

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

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.

<p>Application</p>	<p>: Applied</p>
<p>Explanation on application of the practice</p>	<p>: The Board, Management and employees of the Company are guided by the AEON Group's Code of Conduct ("CoC"), which has been adopted as the "Code of Conduct and Ethics" of the Company pursuant to the MCCG.</p> <p>The Code of Conduct and Ethics upholds the following commitments:</p> <ol style="list-style-type: none"> 1. AEON People (<i>i.e. management and staff of the Company</i>) are always grateful to the many other individuals who provide support and help, never forgetting to act with humility. 2. AEON People value the trust of others more than anything else, always acting with integrity and sincerity in all situations. 3. AEON People actively seek out ways to exceed customer expectations. 4. AEON People continually challenge themselves to find new ways to accomplish the AEON ideals. 5. AEON People support local community growth, acting as good corporate citizens in serving society. <p>The Code of Conduct and Ethics is periodically reviewed and updated as and when necessary. The Code of Conduct and Ethics is published on the corporate website at http://www.aeoncredit.com.my/aeon-corporate/about-us. Various internal policies and procedures have been developed, implemented and communicated by the Company in relation to managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering, aligned with the said code.</p> <p>New employees are briefed on the Code of Conduct and Ethics upon joining and are required to acknowledge in writing their acceptance and understanding of the said code.</p> <p>Further reinforcement on the code is also done during the Company's annual Code of Conduct and Ethics training. Management and employees are expected to observe high standards of integrity and fair dealing in relation to customers, business partners, staff and regulators in the regions where the Company operates.</p>

AEON CREDIT SERVICE (M) BERHAD (Company No. 412767-V)

Explanation for departure :		
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Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a whistle-blowing policy and has established a whistle-blowing channel under the Code of Conduct and Ethics called AEON Hotline for communication or feedback from employees on unethical practices, illegal activities, breach of regulations, financial/accounting fraud, etc.</p> <p>The AEON Hotline comprises an employee hotline phone number and an online web portal. Issues raised through the AEON Hotline by an employee without the risk of reprisal are investigated and resolved with strict confidentiality by senior management of the Company.</p> <p>For external stakeholders, any concerns on illegal, unethical or questionable practices can be communicated in confidence by the whistleblower without the risk of reprisal to the Senior Independent Director at <SID@aeoncredit.com.my> for further investigation and action. Details of the whistle-blowing channel for external stakeholders are published on the corporate website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied											
Explanation on application of the practice	:	<p>As at 28 February 2019, the Board comprised a majority of Independent Directors as follows:</p> <table border="1" data-bbox="541 703 1393 925"> <thead> <tr> <th>Directors</th> <th>No. of Directors</th> </tr> </thead> <tbody> <tr> <td>Independent Non-Executive Directors</td> <td>6</td> </tr> <tr> <td>Non-Independent Non-Executive Directors</td> <td>3</td> </tr> <tr> <td>Executive Directors (including MD)</td> <td>2</td> </tr> <tr> <td>Total</td> <td>11</td> </tr> </tbody> </table> <p>The above Board composition also complies with Paragraph 15.02(1) of the MMLR of Bursa Securities which requires at least two (2) Directors or one third (1/3) of the Board of Directors of a listed issuer, whichever is higher, to be Independent Directors.</p> <p>The existing size and composition of the Board promotes effective, independent and objective Board deliberations as well as active participation from all Directors to discharge their roles and responsibilities.</p>		Directors	No. of Directors	Independent Non-Executive Directors	6	Non-Independent Non-Executive Directors	3	Executive Directors (including MD)	2	Total	11
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Measure	:												
Timeframe	:												

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years														
Explanation on application of the practice	:	<p>As set out in the Board Charter, the tenure of service of Independent Directors shall generally be for maximum period of nine (9) years in line with the MCCG.</p> <p>During the year under review, the Board re-designated two (2) long serving Independent Directors, Ng Eng Kiat and Dato' Md Kamal bin Ismaun, as Non-Independent Non-Executive Directors in line with the MCCG.</p> <p>The length of service of Independent Directors as at 28 February 2019 is summarised below:</p> <table border="1" data-bbox="557 1196 1386 1715"> <thead> <tr> <th data-bbox="557 1196 1161 1256">Name of Director</th> <th data-bbox="1161 1196 1386 1256">No. of Years of Service</th> </tr> </thead> <tbody> <tr> <td data-bbox="557 1256 1161 1339">Tomokatsu Yoshitoshi (Appointed on 30 Jun 2016)</td> <td data-bbox="1161 1256 1386 1339">2</td> </tr> <tr> <td data-bbox="557 1339 1161 1413">S Sunthara Moorthy A/L S Subramaniam (Appointed on 1 March 2018)</td> <td data-bbox="1161 1339 1386 1413">1</td> </tr> <tr> <td data-bbox="557 1413 1161 1487">YBhg. Datuk Adinan bin Maning (Appointed on 28 June 2018)</td> <td data-bbox="1161 1413 1386 1487">< 1</td> </tr> <tr> <td data-bbox="557 1487 1161 1561">Datin Khoo Pek Ling (Appointed on 28 June 2018)</td> <td data-bbox="1161 1487 1386 1561">< 1</td> </tr> <tr> <td data-bbox="557 1561 1161 1635">Datin Yasmin Ahmad Merican (Appointed on 23 January 2019)</td> <td data-bbox="1161 1561 1386 1635">< 1</td> </tr> <tr> <td data-bbox="557 1635 1161 1715">Rashidah binti Abu Bakar (Appointed on 23 January 2019)</td> <td data-bbox="1161 1635 1386 1715">< 1</td> </tr> </tbody> </table>	Name of Director	No. of Years of Service	Tomokatsu Yoshitoshi (Appointed on 30 Jun 2016)	2	S Sunthara Moorthy A/L S Subramaniam (Appointed on 1 March 2018)	1	YBhg. Datuk Adinan bin Maning (Appointed on 28 June 2018)	< 1	Datin Khoo Pek Ling (Appointed on 28 June 2018)	< 1	Datin Yasmin Ahmad Merican (Appointed on 23 January 2019)	< 1	Rashidah binti Abu Bakar (Appointed on 23 January 2019)	< 1
Name of Director	No. of Years of Service															
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Explanation for departure	:															

AEON CREDIT SERVICE (M) BERHAD (Company No. 412767-V)

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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	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Charter stipulates the tenure of Independent Directors shall be limited to nine (9) years in line with the MCCG. However, upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as Non-Independent Director.</p> <p>During the year under review, the Board re-designated the Independent Directors, Ng Eng Kiat and Dato' Md Kamal bin Ismaun, as Non-Independent Non-Executive Directors in line with the Board Charter.</p>

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>Appointment of Directors on the Board and appointment of Senior Management of the Company are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.</p> <p>The NC conducts a “fit and suitable” assessment in recommending appointment of a Director, taking into consideration skills, experience, core competencies, background and personal qualities.</p> <p>The Board remains committed to ensuring that the Directors have the skills, knowledge and experience needed to effectively steer the Company forward. The key elements of competencies at Board and Senior Management level are industry experience and necessary knowledge.</p> <p>The present size and composition of the Board is optimum and well balanced, in terms of the required mix of skills, experience and core competencies as well as need to safeguard the interests of the minority shareholders. The Board is well represented by individuals with diverse professional backgrounds and experience in the areas of financial services, law, finance and accounting, audit and taxation, commerce, sales and marketing, corporate branding, public relations and public service. There is no individual Director or group of Directors who dominate the Board’s decision-making.</p> <p>The diversity in the race/ethnicity (cultural background), nationality, age and gender of the Board and Senior Management as at 28 February 2019 are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Race/Ethnicity</th> <th colspan="2">Nationality</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>Japanese</th> <th>Malaysian</th> <th>Non-Malaysian</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>4</td> <td>3</td> <td>1</td> <td>3</td> <td>8</td> <td>3</td> </tr> <tr> <td>Management</td> <td>2</td> <td>12</td> <td>4</td> <td>7</td> <td>18</td> <td>7</td> </tr> </tbody> </table> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Age (years)</th> <th colspan="2">Gender</th> </tr> <tr> <th><41</th> <th>41 – 50</th> <th>51 - 60</th> <th>>60</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>0</td> <td>2</td> <td>2</td> <td>7</td> <td>7</td> <td>4</td> </tr> <tr> <td>Management</td> <td>5</td> <td>16</td> <td>4</td> <td>-</td> <td>18</td> <td>7</td> </tr> </tbody> </table> <p>The current composition of the Board includes persons from various ethnic groups across various age bands and expertise, with female directors constituting 36% of the Board. Please refer to the Profile of Directors in the 2019 Annual Report for further information.</p>		Race/Ethnicity				Nationality		Malay	Chinese	Indian	Japanese	Malaysian	Non-Malaysian	Directors	4	3	1	3	8	3	Management	2	12	4	7	18	7		Age (years)				Gender		<41	41 – 50	51 - 60	>60	Male	Female	Directors	0	2	2	7	7	4	Management	5	16	4	-	18	7
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Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>During the year under review, the Board adopted the policy of having at least 30% female representation on the Board, recognising the value of gender diversity towards providing insights from different perspectives for decision making.</p> <p>As at 28 February 2019, the Board comprised eleven (11) Directors, four (4) of whom are female Directors, representing 36% of the total Board Members.</p> <p>The following new female Directors were appointed by the Board during FYE 2019 :</p> <ul style="list-style-type: none"> i. Datin Khoo Pek Ling - Appointed on 28 June 2018 ii. Datin Yasmin Ahmad Merican - Appointed on 23 January 2019 iii. Rashidah binti Abu Bakar - Appointed on 23 January 2019
Explanation for departure	:	
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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>In identifying candidates for appointment as Independent Director to the Board during FYE 2019, the Board of the Company did not solely rely on recommendations from existing Board Members, management or major shareholders, and candidates identified through independent sources were evaluated under the selection process.</p> <p>The NC is responsible for identifying and nominating suitable candidates for appointments to the Board through various sources such as directors' registry, independent search firms etc.</p> <p>The appointments of S Sunthara Moorthy A/L S Subramaniam, YBhg. Datuk Adinan bin Maning, Datin Khoo Pek Ling, Datin Yasmin Ahmad Merican and Rashidah binti Abu Bakar as Directors of the Company in FYE 2019 by the Board were made after considering requirements in terms of Board diversity, mix of skills and core competencies as well as time commitment, any conflict of interest affecting appointment and assessment of suitability of the candidate based on the following aspects:</p> <ul style="list-style-type: none"> • Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness; • Competence and capability, where the candidate must have the skills, working experience, capability and commitment necessary to carry out the role; and • Financial integrity, where the candidate must manage his/her debts or financial affairs prudently. <p>The key considerations and process for appointments to the Board are stated in the Board Charter.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<p>The NC of the Company is currently chaired by Tomokatsu Yoshitoshi, Independent Non-Executive Director, since 23 January 2019.</p> <p>Prior to this, the late Dato' Abdullah bin Mohd Yusof, an Independent Non-Executive Director, was Chairman of the NC until his demise on 25 April 2018; thereafter, Ng Eng Kiat, also an Independent Non-Executive Director, was appointed as Chairman of the NC on 8 May 2018 and served in the said role until his resignation from the committee on 23 January 2019 following his re-designation as a Non-Independent Non-Executive Director.</p> <p>The NC members as at 28 February 2019 were as follows:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name of Director</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Tomokatsu Yoshitoshi (Chairman) (appointed on 8 May 2018) – Independent Non-Executive Director</td> </tr> <tr> <td>2</td> <td>Dato' Md Kamal bin Ismaun (Member) – Non-Independent Non-Executive Director</td> </tr> <tr> <td>3</td> <td>Datin Yasmin Ahmad Merican (Member) (appointed on 23 January 2019) – Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The NC is responsible for making recommendation to the Board on the optimum size of the Board, formalising a transparent procedure for proposing new nominees to the Board and Board Committees and ensuring that the interest of the minority shareholders are fairly reflected on the Board.</p> <p>The Terms of Reference of the NC is published on the corporate website at https://www.aeoncredit.com.my/aeon-corporate/about-us/board-charter</p>	No.	Name of Director	1	Tomokatsu Yoshitoshi (Chairman) (appointed on 8 May 2018) – Independent Non-Executive Director	2	Dato' Md Kamal bin Ismaun (Member) – Non-Independent Non-Executive Director	3	Datin Yasmin Ahmad Merican (Member) (appointed on 23 January 2019) – Independent Non-Executive Director
No.	Name of Director									
1	Tomokatsu Yoshitoshi (Chairman) (appointed on 8 May 2018) – Independent Non-Executive Director									
2	Dato' Md Kamal bin Ismaun (Member) – Non-Independent Non-Executive Director									
3	Datin Yasmin Ahmad Merican (Member) (appointed on 23 January 2019) – Independent Non-Executive Director									
Explanation for departure	:									
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>										
Measure	:									
Timeframe	:									

Intended Outcome

Stakeholders are able to 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 NC reviews annually the effectiveness of the Board and Board Committees as well as the performance of individual Directors. The Company has introduced the Board Effectiveness Assessment (“BEA”) questionnaire for evaluation of the performance of the Board, Board Committees and individual Directors.</p> <p>The evaluation takes place annually and involves Directors completing the BEA questionnaire, covering the Board and Board Committees processes and, the effectiveness and contribution of each of the Directors to the Board and Board Committees.</p> <p>The Directors’ responses are collated and a comprehensive summary of the findings and recommendations will be submitted to the NC for deliberation, after which, the findings and recommendations are escalated to the Board for further review and proposed actions.</p> <p>The deliberations of the NC on the findings of the BEA are duly minuted at the meetings of the Committee and the Board.</p> <p>The BEA exercise entails the Directors’ feedback on areas which affect the performance of the Board which, amongst others, include the following:</p> <ul style="list-style-type: none"> a. Board structure, objectives and conduct b. Interaction and communication with Senior Management and Stakeholders c. Corporate Governance d. Accountability and Audit <p>During FYE 2019, the NC assessed the effectiveness of the Board as a whole, the Board committees and contribution of each individual Director, the effectiveness and performance of the Executive Directors, independence of the Independent Directors, training courses required by the Directors and the character, experience, integrity, competence and time to effectively discharge the roles of Director/Chief Executive Officer.</p> <p>The Board has adopted policy of engaging independent experts periodically to facilitate objective and candid Board assessments moving forward.</p>

AEON CREDIT SERVICE (M) BERHAD (Company No. 412767-V)

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 :	Engagement of independent expert(s) periodically to facilitate objective and candid Board evaluations.	
Timeframe :	Within 2 years	By 28 February 2021

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 Board has in place policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the responsibilities, the skills and experience required, and the performance of the Company, relevant business unit and the individual. Further, the said policies and procedures are aligned with the business strategy and long term objectives of the Company.</p> <p>As spelt out in the Board Charter, the Company shall provide a fair, reasonable and competitive remuneration for its Executive and Non- Executive Directors to ensure that the Company attracts and retains high calibre Directors who have the skills, experience and knowledge to increase entity value for the benefit of all shareholders. The Company's Remuneration Policy and Procedures is published on the corporate website at https://www.aeoncredit.com.my/aeon-corporate/about-us/board-charter</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied								
Explanation on application of the practice	:	<p>The Company has established a RC comprising three (3) members, a majority of whom are Independent Non-Executive Directors. The RC members as at 28 February 2019 were as follows:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name of Director</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Tomokatsu Yoshitoshi (Chairman) (Appointed on 8 May 2018) – Independent Non-Executive Director</td> </tr> <tr> <td>2</td> <td>Ng Eng Kiat (Member) – Non-Independent Non-Executive Director</td> </tr> <tr> <td>3</td> <td>Datin Yasmin Ahmad Merican (Member) (appointed on 23 January 2019) – Independent Non-Executive Director</td> </tr> </tbody> </table> <p>Among others, the RC is responsible for the review of remuneration of Executive Directors and Non-Executive Directors on annual basis and making the relevant recommendations to the Board.</p> <p>The Terms of Reference of the RC is published on the corporate website at https://www.aeoncredit.com.my/aeon-corporate/about-us/board-charter</p>	No.	Name of Director	1	Tomokatsu Yoshitoshi (Chairman) (Appointed on 8 May 2018) – Independent Non-Executive Director	2	Ng Eng Kiat (Member) – Non-Independent Non-Executive Director	3	Datin Yasmin Ahmad Merican (Member) (appointed on 23 January 2019) – Independent Non-Executive Director
No.	Name of Director									
1	Tomokatsu Yoshitoshi (Chairman) (Appointed on 8 May 2018) – Independent Non-Executive Director									
2	Ng Eng Kiat (Member) – Non-Independent Non-Executive Director									
3	Datin Yasmin Ahmad Merican (Member) (appointed on 23 January 2019) – Independent Non-Executive Director									
Explanation for departure	:									
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>										
Measure	:									
Timeframe	:									

Intended Outcome

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

Practice 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 details of the remuneration paid/payable for FYE 2019 to individual Directors of the Company is set out below on named basis, duly categorised into appropriate components including fees, salaries, bonus, other allowances and benefits-in-kind:

NON-EXECUTIVE DIRECTORS				
Director	Salaries & Bonus	Directors' Fees	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000
Ng Eng Kiat	-	310	13	323
Dato' Md Kamal bin Ismaun	-	180	-	180
Tomokatsu Yoshitoshi	-	178	-	178
S Sunthara Moorthy A/L S Subramaniam ¹	-	190	-	190
Tetsuro Takano	-	-	-	-
YBhg. Datuk Adinan bin Maning ²	-	121	-	121
Datin Khoo Pek Ling ²	-	118	-	118
Datin Yasmin Ahmad Merican ³	-	16	-	16
Rashidah binti Abu Bakar ³	-	16	-	16
Dato' Abdullah bin Mohd Yusof ⁴	-	48	-	48
	-	1,177	13	1,190

EXECUTIVE DIRECTORS				
Director	Salaries & Bonus	EPF	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000
Kenji Fujita	827	-	248	1,075
Lee Tyan Jen	549	88	9	646
Kiyoaki Takano ⁵	275	-	55	330
Ajith Jayaram ⁵	205	33	3	241
Lee Kit Seong ⁵	257	38	3	298
	2,113	159	318	2,590

Notes:

¹ Appointed as an Independent Non-Executive Director of AEON Credit on 1 March 2018

² Appointed as an Independent Non-Executive Director of AEON Credit on 28 June 2018

³ Appointed as an Independent Non-Executive Director of AEON Credit on 23 January 2019

⁴ Demised on 25 April 2018

⁵ Retired as Executive Director of AEON Credit on 21 June 2018

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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 Company has opted not to disclose the detailed remuneration of Senior Management personnel in bands of RM50,000 on a named basis in order to maintain confidentiality of each remuneration package, aligned with the Company's efforts to attract and retain talent in a competitive employment market.</p> <p>Nevertheless, disclosure of the aggregate remuneration (including salaries, bonus, other contributions and benefits-in-kind) paid/payable to the top five (5) Senior Management personnel for FYE 2019 is set out below, in bands of RM50,000 :</p> <table border="1" data-bbox="544 1173 1391 1393"> <thead> <tr> <th>Remuneration Band</th> <th>No. of Senior Management personnel</th> </tr> </thead> <tbody> <tr> <td>RM250,001 - to RM300,000</td> <td>1</td> </tr> <tr> <td>RM300,001 - to RM350,000</td> <td>2</td> </tr> <tr> <td>RM450,001 - to RM500,000</td> <td>1</td> </tr> <tr> <td>RM700,001 - to RM750,000</td> <td>1</td> </tr> </tbody> </table>		Remuneration Band	No. of Senior Management personnel	RM250,001 - to RM300,000	1	RM300,001 - to RM350,000	2	RM450,001 - to RM500,000	1	RM700,001 - to RM750,000	1
Remuneration Band	No. of Senior Management personnel												
RM250,001 - to RM300,000	1												
RM300,001 - to RM350,000	2												
RM450,001 - to RM500,000	1												
RM700,001 - to RM750,000	1												
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>													
Measure	:	Alternative disclosure has been made without disclosure of names of Senior Management personnel.											
Timeframe	:	Not applicable											

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman of the Board and Chairman of the Audit Committee are held by separate individuals. The Chairman of the Audit Committee since 8 May 2018 is S Sunthara Moorthy A/L S Subramaniam, an Independent Non-Executive Director, while Ng Eng Kiat is the Chairman of the Board since the same date.</p> <p>The qualifications and experience of the AC members are included in profile of Directors in the 2019 Annual Report. The Terms of Reference of the AC is available on the corporate website at https://www.aeoncredit.com.my/aeon-corporate/about-us/board-charter</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>None of the current members of the AC has been associated with or held any senior leadership position with the Company's appointed external auditors in the previous years. This serves to safeguard the independence of the audit on the Company's financial statements by avoiding the potential threats which may arise when a former key audit partner is in a position to exert significant influence over the audit or preparation of the Company's financial statements.</p> <p>The Terms of Reference of the AC, which is available at the corporate website, was amended during the year to reflect the requirements under Practice 8.2 of the MCCG.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The role of the AC to assess the suitability, objectivity and independence of the external auditor is provided under the Terms of Reference of the AC, which stipulates the responsibilities and duties of the Committee to:</p> <ul style="list-style-type: none"> • Review with the external auditors, the audit scope and plan including any changes to the planned scope of the audit and the proposed audit fees in connection with the statutory audit. • Review the independence, objectivity and performance of the external auditors and their services. • To consider the appointment/ re-appointment of the external auditors, the terms of reference of the said appointment/ re- appointment and any question on resignation and dismissal of external auditors before making a recommendation to the Board. • Review and approve the non-audit services provided by the external auditors and/or its network firms or its affiliates to the Company for the financial year, including the nature of the non- audit services, fees for the non-audit services (individually and in aggregate) relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	: Adopted								
Explanation on adoption of the practice	<p>As at 28 February 2019, the AC comprised three (3) members, all of whom are Independent Directors :</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%; text-align: center;">No.</th> <th style="text-align: center;">Name of Director</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>S Sunthara Moorthy A/L S Subramaniam (Chairman) (appointed as member on 1 March 2018, and re-designated as Chairman on 8 May 2018) – Independent Non-Executive Director</td> </tr> <tr> <td style="text-align: center;">2</td> <td>YBhg. Datuk Adinan bin Maning (Member) (appointed on 28 June 2018) – Senior Independent Non-Executive Director</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Datin Khoo Pek Ling (Member) (appointed on 28 June 2018) – Independent Non-Executive Director</td> </tr> </tbody> </table> <p>Notes:</p> <p>(i) Ng Eng Kiat, earlier an Independent Non-Executive Director, was the Chairman of the AC until he was re-designated as the Chairman of the Board on 8 May 2018 and ceased to be the Chairman and a member of the AC.</p> <p>(ii) Dato' Md Kamal bin Ismaun, an Independent Non-Executive Director, was a member of the AC until he was re-designated as a Non-Independent Non-Executive Director on 23 January 2019 and ceased to be a member of the AC.</p>	No.	Name of Director	1	S Sunthara Moorthy A/L S Subramaniam (Chairman) (appointed as member on 1 March 2018, and re-designated as Chairman on 8 May 2018) – Independent Non-Executive Director	2	YBhg. Datuk Adinan bin Maning (Member) (appointed on 28 June 2018) – Senior Independent Non-Executive Director	3	Datin Khoo Pek Ling (Member) (appointed on 28 June 2018) – Independent Non-Executive Director
No.	Name of Director								
1	S Sunthara Moorthy A/L S Subramaniam (Chairman) (appointed as member on 1 March 2018, and re-designated as Chairman on 8 May 2018) – Independent Non-Executive Director								
2	YBhg. Datuk Adinan bin Maning (Member) (appointed on 28 June 2018) – Senior Independent Non-Executive Director								
3	Datin Khoo Pek Ling (Member) (appointed on 28 June 2018) – Independent Non-Executive Director								

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.

<p>Application</p>	<p>: Applied</p>
<p>Explanation on application of the practice</p>	<p>: All members of the AC are financially literate and possess the necessary skills to discharge their duties. Further, the current AC composition is aligned towards the need for AC members to have sufficient understanding of the Company’s business as well as adopt analytical and meticulous approach in reviewing the Company’s financial reporting processes, transactions and other financial information.</p> <p>The current Chairman of the AC, S Sunthara Moorthy A/L S Subramaniam, is a Fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the MIA. He has over thirty (30) years of experience, mainly in general management, strategic business development, corporate finance, accountancy, tax and audit.</p> <p>YBhg. Datuk Adinan bin Maning (a member of the AC) is a member of the Chartered Institute of Management Accountants (UK) (CIMA). He has twenty eight (28) years working experience in the banking sector, including ten (10) years as Chief Executive Officer of Bank Simpanan Nasional until his retirement in 2017. He has also served at senior management level in several other large corporations in Malaysia.</p> <p>Datin Khoo Pek Ling (a member of the AC) is a fellow member of the Institute of Chartered Accountants England & Wales, a member of the Malaysian Institute of Certified Public Accountants, a member of the MIA and a member of the Chartered Tax Institute of Malaysia. She was in public practice as an accountant for more than thirty (30) years until her retirement in 2018, including as senior partner of a medium-size firm of certified public accountants.</p> <p>All AC members are aware of the need to undertake professional development from time to time to keep abreast of industry developments. Details of the training attended by the Directors, including AC members, are set out on page 72 and 73 of the 2019 Annual Report.</p>

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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 has overall responsibility for establishing a framework for good corporate governance within the Company, including the processes for risk management and internal control.</p> <p>Details of the Company’s risk management and internal control framework are set out in the Statement of Risk Management and Internal Control (“SORMIC”) on pages 82 to 85 of the 2019 Annual Report.</p> <p>The Board has approved the establishment of Board Risk Committee (“BRC”) on January 2019. The first BRC was conducted on 16 April 2019.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<p>The features of the risk management and internal control framework are set out in the SORMIC on pages 82 to 85 of the 2019 Annual Report.</p> <p>As stated in the SORMIC, the Board is satisfied with the adequacy and effectiveness of the Company’s risk management and internal control framework in FYE 2019.</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 9.3 - Step Up

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

Application	: Adopted								
Explanation on adoption of the practice	<p>The Board established the Board Risk Committee (“BRC”) on 23 January 2019, to oversee the Company’s risk management framework and policies. The BRC comprises three (3) Independent Directors as set out below :</p> <table border="1" data-bbox="544 853 1374 1167"> <thead> <tr> <th data-bbox="544 853 651 887">No.</th> <th data-bbox="651 853 1374 887">Name of Director</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 887 651 976">1</td> <td data-bbox="651 887 1374 976">YBhg. Datuk Adinan bin Maning (Chairman) (appointed on 23 January 2019) – Senior Independent Non-Executive Director</td> </tr> <tr> <td data-bbox="544 976 651 1066">2</td> <td data-bbox="651 976 1374 1066">Datin Khoo Pek Ling (appointed on 23 January 2019) – Independent Non-Executive Director</td> </tr> <tr> <td data-bbox="544 1066 651 1167">3</td> <td data-bbox="651 1066 1374 1167">Rashidah binti Abu Bakar (appointed on 23 January 2019) – Independent Non-Executive Director</td> </tr> </tbody> </table> <p>Based on the Terms of Reference of the BRC, the key roles of the committee are as follows :</p> <ul style="list-style-type: none"> (i) Review and recommend risk management strategies, policies, and risk tolerance for the Board’s approval; (ii) Review the Company’s Business Continuity Management Framework and policy for dealing with extreme internal/external events and disaster; (iii) Discuss and deliberate on legal and compliance risk issues regularly to ensure the issues are resolved effectively and in timely manner; (iv) Evaluate the effectiveness of the Company’s compliance function and overall Management of compliance risk; and (v) Review governance related matters that may be considered/requested by the Board from time to time. <p>The Terms of Reference of the BRC is published on the corporate website at https://www.aeoncredit.com.my/aeon-corporate/about-us/board-charter</p>	No.	Name of Director	1	YBhg. Datuk Adinan bin Maning (Chairman) (appointed on 23 January 2019) – Senior Independent Non-Executive Director	2	Datin Khoo Pek Ling (appointed on 23 January 2019) – Independent Non-Executive Director	3	Rashidah binti Abu Bakar (appointed on 23 January 2019) – Independent Non-Executive Director
No.	Name of Director								
1	YBhg. Datuk Adinan bin Maning (Chairman) (appointed on 23 January 2019) – Senior Independent Non-Executive Director								
2	Datin Khoo Pek Ling (appointed on 23 January 2019) – Independent Non-Executive Director								
3	Rashidah binti Abu Bakar (appointed on 23 January 2019) – Independent Non-Executive Director								

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 Board has established an in-house internal audit function. The primary responsibility of the Internal Audit Group, being the third line of defence, is to provide independent and objective assessment on the adequacy and effectiveness of the governance, risk and control processes implemented by the Management.</p> <p>Internal Audit Group’s mission, scope of work, responsibilities and authority are governed by its Internal Audit Charter, which is approved by the AC. As guided by the Internal Audit Charter, Policy and Procedure, the Internal Audit Group maintained their independence and impartiality on the activities and functions it audits. Pursuant to Paragraph 15.27(2) of the MMLR of Bursa Securities, the Internal Audit Group reports directly to the AC.</p> <p>Through this reporting relationship, the AC also ensured that the Internal Audit Group has the authority to carry out their work objectively and independently. The AC approved the Internal Audit Group’s annual audit plan including its scope, coverage and the resource requirements of the internal audit function to carry out its work.</p> <p>Internal Audit Reports arising from the audits and reviews conducted by Internal Audit Group were tabled to the AC for review and deliberation at the Audit Committee Meetings. The progress of agreed remedial action plans on audit issues were also tabled to the AC for review and deliberation to ensure that remedial measures are implemented by the Management promptly and appropriately. The Head of Internal Audit holds private meetings with the AC without the presence of the Management team to discuss significant matters at least two (2) times annually.</p> <p>The AC also evaluated the performance and effectiveness of the internal audit function pursuant to Paragraph 15.12 of the MMLR of Bursa Securities including the scope, functions, competency and resource of the Internal Audit Group.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Internal Audit Charter requires that Internal Audit Group personnel shall exhibit the highest level of professional objectivity by having an impartial, unbiased attitude and avoid any conflicts of interest in the performance of audit work. It also states that the Internal Audit personnel shall not assume operating responsibilities which impairs their objectivity or independence.</p> <p>The internal audit function is carried out based on a risk-based approach guided by the Internal Audit Charter as well as the Internal Audit Policy and Procedure. The Internal Audit Group adopts the standards / practices encapsulated in the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors, in performing its work.</p> <p>The Internal Audit Group is staffed by twenty (20) personnel with five (5) staff in managerial positions. The General Manager - Internal Audit Group, Phang Chee Chong oversees the Internal Audit function. He is a Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA), a Certified Internal Auditor (CIA), a Certified Financial Services Auditor (CFSA) from the Institute of Internal Auditors (USA), and a Certified Information Systems Auditor (CISA) from ISACA (USA). He has a Master of Business Administration (MBA) from Southern Cross University, Australia and holds a Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors (USA).</p> <p>The Internal Audit personnel are free from any relationships or conflict of interest, which could impair their objectivity and independence.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to the principles set out in Bursa Securities' Corporate Disclosure Guide and compliance with applicable laws to ensure comprehensive, accurate and timely disclosures relating to the Company to the stakeholders. The Board is aware of its accountability to the shareholders and other stakeholders, and that constant communication with stakeholders enables the Company to understand stakeholders' concerns and to take these concerns into account when making decisions. Investor relations, corporate governance and other corporate information are available from the corporate website at https://www.aeoncredit.com.my/aeon-corporate/about-us/board-charter</p> <p>A dedicated Investor Relations e-mail contact has also been made available at ir_info@aeoncredit.com.my for shareholders to submit queries or comments on any issue of concern.</p> <p>Apart from the above, the Company emphasises on two-way communication with all stakeholders who are impacted by or have the ability to influence the business, and continuously engage with these stakeholders to address their needs and concerns on issues related to the business operations through various channels such as meetings, engagements and participation in events involving regulators, industry associations, business partners, merchants, segments of local community etc.</p> <p>The list of stakeholder groups and communication channels are set out in the FYE 2019 Sustainability Statement on page 54 of the Company's 2019 Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Various communication channels have been established for stakeholders to communicate with the Company, as disclosed in the Sustainability Statement. However, the Company has yet to adopt an Integrated Reporting (“IR”) format based on a globally recognised framework.	
		Currently, the Annual Report includes Management Discussion and Analysis statement, Sustainability Statement, Statement on Risk Management and Internal Control and Corporate Governance Overview Statement to provide stakeholders with balanced, comparable and meaningful overview of the Company’s performance, operations, financial health, prospects and sustainability governance/practices.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board and Senior Management recognise the importance of integrated thinking as part of the Company’s journey towards integrated reporting, as reported in FYE 2018. We have embarked on the adoption of International IR Framework with the intent to fully comply and adopt this Practice by FYE 2021. Currently, development of the IR roadmap is in progress.	
Timeframe	:	Within 2 years	By 28 February 2021

Intended Outcome

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

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board ensures that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the Annual General Meeting (“AGM”) of the Company.</p> <p>The Notice of AGM is advertised in a national daily newspaper (English or Bahasa Malaysia), published on the Company’s website before the AGM and dispatched to the shareholders together with the Annual Report. The Notice of 21st AGM for 2018 was sent to shareholders on 23 May 2018, which was twenty-eight (28) days before the AGM held on 21 June 2018.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board recognises that the presence of all Directors will provide opportunity for shareholders to effectively engage with the Directors and allow shareholders to raise questions directly to specific Directors.</p> <p>The Directors are responsible to engage with shareholders in general meetings and provide details of the resolutions proposed along with any background information and recommendations that are relevant. The Chairman is responsible to directly answer questions raised by shareholders or refer specific question to the relevant Director.</p> <p>Nine (9) out of ten (10) Directors attended the last AGM of the Company held on 21 June 2018. A Director, Tomokatsu Yoshitoshi, was unable to attend the AGM due to unforeseen circumstances. Nevertheless, all issues of concern raised by shareholders were satisfactorily addressed by the Chairman of the Board and the remaining Directors.</p> <p>The Company shall ensure that all Directors attend future general meetings of the Company except under unavoidable circumstances.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	The Company shall ensure that all Directors attend future general meetings of the Company except under unavoidable circumstances.
Timeframe	:	On-going
		-

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	:	The Company does not facilitate voting in absentia; however, the AGM has always been held in the city centre of Kuala Lumpur to facilitate access for, and to encourage maximum participation of, shareholders.	
		For foreign shareholders and other shareholders who are unable to attend the AGM, a proxy voting channel has been made available.	
		The Board regards general meetings as a platform for shareholders to exercise their rights. In accordance with Paragraph 8.29A(1) of the MMLR, all resolutions put to vote will be determined by poll voting. The Board has always given consideration to the location of its general meetings to ensure convenient access to shareholders.	
		The forthcoming 22 nd AGM will be held in a central location in Kuala Lumpur, which is accessible via public transport.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board shall explore the deployment of available technology/systems to facilitate voting in absentia and enable remote shareholders’ participation at general meetings, when the need arises.	
Timeframe	:	Within 2 years	By 28 February 2021

**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.

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