

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of ENRA Group Berhad (“ENRA” or “Company”) is committed to ensuring that high standards of corporate governance (“CG”) principles and practices are applied throughout the Company and its subsidiaries (“Group”) as a fundamental part of discharging its responsibilities to safeguard shareholders’ investments and protect the interests of all stakeholders.

This CG Overview Statement is prepared in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance (“MCCG”). This Statement is supplemented with the Corporate Governance Report (“CG Report”) which provides the details on how the Company has applied each Practice as prescribed in the MCCG during the financial year ended 31 March 2018. The CG Report is available on the Company’s website at www.enra.my.

The CG Overview Statement should also be read in conjunction with the other statements in the Annual Report, namely, the Statement on Risk Management and Internal Control, the Audit and Risk Management Committee Report and the Sustainability Statement as the depth of certain CG practices may be better explained in the context of the respective statements.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board has the overall responsibility for the corporate governance, strategic leadership and direction, the conduct of the Group’s businesses, risk management and internal controls, investor relations, management succession plan and business operations of the Group.

Beyond the matters reserved for the Board’s decision, the Board has delegated the authority to achieve the corporate objectives and day-to-day management of the business of the Group to the Executive Committee comprising the Executive Deputy Chairman, the President & Group Chief Executive Officer and the Executive Director. There is a formalised Limits of Authority which defines the applicable limits specifically reserved for the Board’s approval and those delegated to the Executive Committee, the President & Group Chief Executive Officer, the Executive Directors and Management. The Executive Directors remain accountable to the Board for the authority that is delegated to them for the performance of the Group.

While the Board is responsible for creating framework and policies within which the Group should be operating, the Management is accountable for the execution of the expressed policies and attainment of the Company’s corporate objectives. This demarcation complements and reinforces the supervisory role of the Board.

The roles of the Chairman and the President & Group Chief Executive Officer are distinct and separate to engender accountability to facilitate clear division of responsibilities. The Chairman is responsible for ensuring Board effectiveness and standards of conduct while the President & Group Chief Executive Officer is responsible for the overall management of the Group, including smooth running of the businesses and implementation of strategies and policies.

In carrying out its function, the Board has delegated specific responsibilities to Board Committees, namely, the Audit and Risk Management Committee (“ARMC”) and the Board Nomination and Remuneration Committee (“BNRC”). In order to ensure that the direction and control of the Group remains with the Board, the Board has defined the terms of reference for each Committee and receives reports from the Board Committees of their proceedings and deliberations together with their recommendations and relevant decisions. The Chairman of the respective Board Committees will report to the Board on the outcome of these meetings. These Board Committees were formed in order to enhance business and operational efficiency and efficacy but the Board remains fully responsible for the direction and control of the Company and the Group. The ultimate responsibility for the final decision on all matters, lies with the Board. The terms of reference for the ARMC and the BNRC can be found on the Company’s website (www.enra.my).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(Cont'd)*

I. Board Responsibilities *(Cont'd)*

The Board has adopted a Board Charter, which sets out its roles, functions, composition, operation and process giving consideration to the principles of good corporate governance and requirements of the MMLR of Bursa Securities. The Board has also adopted a Directors' Code of Ethics, which outlines the conduct required of the Board members individually in order for them to discharge their duties in a professional, honest and ethical manner. The Company has a Code of Business Conduct which is applicable to employees within the Group and it governs the desired standards of behavior and ethical conduct expected from each individual to whom the Code applies. The Board has also put in place a Whistleblowing Policy, which sets out the principle and grievance procedures for employees, subsidiaries and members of the general public to raise genuine concerns of possible improprieties perpetrated within the Group. The details of the Board Charter, Directors' Code of Ethics, Code of Business Conduct and Whistleblowing Policy can be found on the Company's website (www.enra.my).

The Directors have unrestricted access to all information pertaining to the Group's business and affairs to enable them to carry out their duties effectively and diligently. The Board also has unrestricted access to the service of the Company Secretary who is qualified to act under Section 235(2) of the Companies Act 2016. The Company Secretary provides advisory services to the Board in relation to corporate governance matters and compliance with the relevant policies and procedures.

II. Board Composition

The strength of the Board lies in the composition of its members who have a wide range of expertise, extensive experience and diverse backgrounds. As at the date of this Statement, the Board consists of eight members comprising an Independent Non-Executive Chairman, a Senior Independent Non-Executive Director, two other Independent Non-Executive Directors, one Non-Independent Non-Executive Director and three Executive Directors (including the President & Group Chief Executive Officer). The Board composition meets the requirement of Practice 4.1 of the MCCG where at least half of the Board comprises Independent Directors.

The Directors, with their different backgrounds and specialisations, collectively bring with them not only the industry knowledge but also a wide range of experience and expertise in areas such as finance, engineering, strategic planning, economics and project management. There is no individual Director or group of Directors who dominates the Board's decision-making. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. The Independent Non-Executive Directors apply objective and independent judgement to the decision-making process of the Board and provide the check and balance.

Accordingly, and taking into account of the experience, qualifications, capabilities and knowledge of the Company's Independent Non-Executive Directors, the Board is satisfied that the current Board composition fairly reflects the interests of the Company's minority shareholders and is adequate to ensure that the highest standards of corporate governance, ethical conduct and integrity are maintained by the Company for the benefit of all stakeholders.

In this regard, the Board through the BNRC, will review the size and composition of the Board and its Board Committees annually, to determine if the Board and the Board Committees have the right size and sufficient diversity that fits the Company's objectives and strategic goals. During the financial year, the BNRC had conducted a specific review of the composition of the Board Committees in January 2018 to ensure these Board Committees would continue to assist the Board efficiently and effectively in light of the Practices prescribed in the MCCG. In line with the Board's commitment towards application of high standards of corporate governance principles, changes recommended by the BNRC were approved and implemented.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration

The BNRC is responsible for recommending to the Board the appropriate remuneration of the Directors to ensure that the Group attracts and retains Directors of the necessary calibre, experience, knowledge and quality needed to manage the Group successfully. The BNRC considers the principles recommended by the MCCG in determining the Executive Directors' remuneration, whereby, the Executive Directors' remuneration is designed to link rewards to the Group's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed. The determination of the remuneration of the Non-Executive Directors is a matter for the Board to consider and individual Directors do not participate in decisions regarding their own remuneration package. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as Directors.

During the financial year under review, the Board had considered and approved the revision to the remuneration policy for the Non-Executive Directors. The revision was made after taking into consideration the increasing responsibilities and activities of the BNRC as well as the contributions and time commitment of the members of the BNRC in the discharge of their duties. BNRC members did not receive any fee previously because the workload of the BNRC then was comparatively minimal. A summary of the activities carried out by the BNRC is provided in the CG Report.

The revision is consistent with the principles that remuneration should be at a sufficient level to attract, compensate and retain high calibre Directors to successfully lead the Company. The revised remuneration policy for Non-Executive Directors of the Company is set out below:

	Description	Before Revision	After Revision
Annual Fee	Board Chairman	RM80,000	RM80,000
	Senior Independent Non-Executive Director	RM70,000	RM70,000
	Non-Executive Board Member	RM60,000	RM60,000
	Board Committee		
	ARMC Chairman	RM10,000	RM10,000
	ARMC Member	RM8,000	RM6,000
	BNRC Chairman	-	RM6,000
	BNRC Member	-	RM4,000
Meeting attendance allowance	All Non-Executive Directors	RM2,000 per day*	RM2,000 per day*

* regardless of the number of meetings attended per day

Details of the remuneration of the Directors of the Company for the financial year ended 31 March 2018 are provided in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee (“ARMC”) to provide robust and comprehensive oversight on the financial reporting matters as well as the external and internal audit processes. The ARMC comprises four members, all of whom are Independent Non-Executive Directors. The Chairman of the ARMC is the Senior Independent Non-Executive Director who is not the Chairman of the Board.

The Board upholds the integrity of financial reporting by the Company. As such, it has established procedures, via the ARMC, in assessing the suitability and independence of the external auditors. Such procedures entail the provision of written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The ARMC has met with the external auditors without the presence of the Executive Directors and Management twice during the financial year ended 31 March 2018.

The ARMC is satisfied in its review that the provision of non-audit services by Messrs. BDO to the Group for the financial year ended 31 March 2018 did not in any way impair their objectivity and independence as external auditors of the Company.

On an annual basis, the ARMC reviews and monitors the suitability and independence of the external auditors. The ARMC is satisfied with the competence and independence of Messrs BDO and had recommended their re-appointment as auditors for shareholders’ approval at the 26th Annual General Meeting.

II. Risk Management and Internal Control Framework

The Board is ultimately responsible for the establishment of a sound framework to manage risks. The President & Group Chief Executive Officer oversees these risk management processes and activities and reports to the Board. The Management assists the Board in the implementation of the Board’s policies and procedures on risk management and internal control.

The Board acknowledges its responsibility for the Group’s systems of internal control and risk management and for reviewing the effectiveness of those systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. Any system can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud.

The Statement on Risk Management and Internal Control as set out on pages 37 to 42 in this Annual Report provides an overview of the management of risks and state of internal controls within the Group.

The Company has in its employment, an Internal Auditor who reports directly to the Chairman of the ARMC. The Internal Audit function reviews the controls and processes of the organisation in accordance with the approved audit plan which adopts a risk-based approach towards planning and audit execution. The scope of work covered by the internal audit function during the financial year is set out on pages 36 and 40 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE C-INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Board recognises the importance of effective and timely communication with shareholders and investors to ensure they make informed decisions. The Board supports effective and timely corporate disclosure to achieve the following objectives:

- to raise awareness and provide guidance to the Board, management, officers and employees on the Company's disclosure requirements and practices;
- to provide guidelines and policies to disseminate corporate information;
- to ensure compliance with all applicable legal and regulatory requirements on disclosure of material information; and
- to build good investor relations with the investing public that inspires trust and confidence.

All information made available to Bursa Securities is made immediately available or as soon as reasonable practicable to shareholders and the market at the Investor section of the Company's website at www.enra.my.

II. Conduct of General Meetings

The Annual General Meeting ("AGM") of the Company serves as the primary platform for two-way dialogue with shareholders. At the 25th AGM of the Company held on 13 September 2017, all Directors of the Company were present at the meeting to engage with shareholders. During the financial year under review, the Company had also convened two Extraordinary General Meetings which were held on 9 February 2018. The Company supports the principle of encouraging shareholders participation and ample time were allowed during the general meetings for questions to be raised to the Board. Members of the Senior Management, the external auditors and relevant advisors were also present at the meetings to respond to questions from the shareholders and proxies.

Further, in line with Practice 12.1 of the MCGG, the notice convening the 25th AGM was issued at least 28 days before the AGM date.

KEY FOCUS AREAS AND FUTURE PROSPECTS

The Board is committed to cultivating a responsible organisation and will regularly review and refine the Group's CG practices to maintain a sensible and solid framework for effective governance in the interest of the shareholders and stakeholders.

This CG Overview Statement was approved by the Board of Directors of ENRA on 27 June 2018.