

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5134
COMPANY NAME : Southern Acids (M) Berhad
FINANCIAL YEAR : March 31, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board of SAB is guided by the Board Charter is collectively responsible for the following: -</p> <ol style="list-style-type: none">1. Setting the overall direction of the Group by formulating strategies and establishing corporate goal;2. Overseeing the development and implementation of the Group's strategies and goals by working closely with members of the Management and reviewing plans, budgets, progress and performance in meeting these strategies and goals; and3. Delegating appropriate authority to the Board Committees and Management to ensure effective day-to-day management and the effective discharge of its duties. <p>In its decision-making, the Board takes into consideration the interests of all its stakeholders in ensuring the Group's objectives of creating long-term sustainability value for the benefits of the Company's stakeholders are met.</p> <p>The adopted Board Charter which is made available on the Company's website set out the following: -</p> <ol style="list-style-type: none">1. Governance Structure;2. Board Membership;3. Appointments and Re-election;4. Board Role;5. Matters Reserved for the Board;6. Authorities of the Board;7. The specific role of Chairman and Managing Director ("MD");8. Board Committees; and9. Board Processes.

	<p>The Board operates with a clear and effective governance structure. The Board’s role is to govern the Group rather than to manage it. It is the role of the MD, Executive Director (“ED”) and senior managers (“the Management”) to manage the Group in accordance with the direction of and delegation by SAB Board.</p> <p>The following Committees have been set up to assist the Board in discharging its duties and responsibilities: -</p> <ol style="list-style-type: none"> 1. Audit Committee; and 2. Nomination & Remuneration Committee. <p>Each committee is responsible for reviewing and overseeing activities within its particular Terms of Reference (“TOR”). The respective TORs will periodically review by the Board. Both TORs are made available on the Company’s website @ www.southernacids.com.</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 1.2

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 Tan Sri Datuk Seri Panglima Sulong Matjeraie who is an Independent Non-Executive Director.</p> <p>The key roles and responsibilities have been clearly stated in Paragraph 3.5.1 of the Board Charter. There are as follows: -</p> <ol style="list-style-type: none"> 1. To lead the Board in establishing and monitoring good corporate governance practices in the Company; 2. To lead the Board efficiently and in an effective manner; 3. To ensure the efficient organization and conduct of the Board's functions and meetings; 4. To facilitate the effective contribution of all Directors at Board meetings; 5. To encourage active participation and allowing dissenting views to be freely expressed; 6. To promote constructive and respectful relations between Directors and between the Board and Management; and 7. To ensure effective communication with shareholders and stakeholders.
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 positions of Chairman and MD are held by two different individuals. The distinct and separate roles and responsibilities of the Chairman and the MD are stated in Paragraph 3.5 of the Board Charter.</p> <p>The Chairman, Tan Sri Datuk Seri Panglima Sulong Matjeraie is responsible for the leadership, effectiveness, conduct and governance of the Board. The MD, Dr Nick Low has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The MD is also responsible to ensure due execution of strategic goals, effective operation within the Company, and to explain, clarify and inform the Board on key matters pertaining to the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries are qualified, experienced and capable of carrying out their functions.</p> <p>The Company Secretary's roles and responsibilities are stated in Paragraph 6.0 of the Board Charter. There are as follows: -</p> <ol style="list-style-type: none"> a. Advise the Board and Board Committees on their roles and responsibilities; b. Advise the Board and Board Committees on governance issues and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectation; c. Advise and continuously update the Board on corporate disclosures and compliance with listing requirements, company and securities legislations and related regulations; d. Ensure proper upkeep of statutory registers and records; e. Manage the logistics of all Board, Board Committees and general meeting, attend and record minutes of the meeting thereof; f. Assist the Chairman in determining the annual Board plan and the administration of other strategic issues; and g. Facilitate in the induction of new directors and assist in director training and development. <p>All Board members have access to the advice and services of the Company Secretaries in carrying out their duties.</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>The guidelines on the Board/Committee meeting materials and meeting minutes are stated in Paragraph 3.7 (c) and (e) of the Board Charter.</p> <p>Prior to each Board/Committee meeting, all Board members are provided with a structured agenda together with management reports and proposal which will be furnished at least five (5) business days before a Board/Committee meeting. This is to ensure that Directors are well informed and have the opportunity to seek additional information and are able to obtain further clarifications should such a need arise.</p> <p>The proceedings of all meetings, including all issues raised deliberated, decisions and conclusions including dissenting views made are minuted and circulated to the Board members in advance of the next Board/Committee meeting for their comments and input.</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

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by its Board Charter which serves as a primary reference for all Board members including prospective directors of their fiduciary duties as directors of the Company.</p> <p>The Board Charter provides guidance on the specific roles and responsibilities for the following: -</p> <ol style="list-style-type: none"> 1. The role of Chairman; 2. The role of the Managing Director; 3. The role of the Board; 4. The role of the Senior Independent Director; 5. The role of the Board Committees; and 6. The role of the Company Secretary. <p>Matters reserved for the Board are stated in Paragraph 3.3.2 of the 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 board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company had established the Code of Conduct and Ethics which provides an ethical framework to guide behaviours and actions all Board members and its employees of the Group while at work.</p> <p>Internally it is also made available at the Company public folder so that all levels of employees in the Group have unrestricted access to this document anytime and whenever is necessary.</p> <p>The Code of Conduct and Ethics is made available on the Company's website @ www.southernacids.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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 had adopted the Whistleblower Policy with the aim to provide employees, customers and vendors a standard process to report concerns about suspected misconduct within the Group in confidence and without fear of retaliation.</p> <p>The Board via the AC is responsible for overseeing the implementation of the Whistleblower Policy for the Group. The AC Chairman who is also the Senior Independent Non-Executive Director is the dedicated person for receiving whistleblower reports made by employees as well as external parties.</p> <p>Whistleblower Policy is made available on the Company’s website at www.southernacids.com .</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>As at 31 March 2020, the Board consists of six members, comprises the following: -</p> <ul style="list-style-type: none">❖ Two Executive Directors; and❖ Four Independent Non-Executive Directors. <p>The Independent Non-Executive Directors constitute more than 66% of the Board composition and the Chairman is an Independent Non-Executive Director.</p> <p>The Board through the NRC, assesses the independence of the Independent Non-Executive Directors annually.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
Explanation on application of the practice	:	The Company is guided by the recommended approach under the MCCG 2017 on this subject matter.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company recognises the important of diversity in Board composition to the effective functioning of the Board. While it is essential to promote diversity, the appointments to the Board focus mainly on merits of the candidate.</p> <p>The criteria for the recruitment process and annual assessment of the Board members are stated in the TOR of the NRC. The key roles and responsibilities are clearly stated in the TOR of the NRC. There are as follows: -</p> <ol style="list-style-type: none">1. To review the policy on board composition and determine the mix of skills, experience and other qualities. Including core competencies of non-executive Directors annually.2. To review succession planning for senior management, including nominations to the Board of Directors of the Company, and the appointment of the CEO and the CFO.3. To establish a clear and appropriate criterion to assess the effectiveness of the Board as a whole, the committees of the Board, the contribution of each individual Director and each member of the Board Committees including the assessment of the independence of the Independent Director on an annual basis.4. To establish and review the criteria on the selection and recruitment process and policy on board composition, taking into consideration the suitability of candidates against consideration such as competencies, commitment, contribution and performance, including the current composition of Board and Board Committees, mix of skills and experiences of directors, independence and diversity (including gender diversity) on an annual basis. <p>The TOR of the NRC is made on the Company's website at www.southernacids.com.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	As at 31 March 2020, there is one women board member on the Board, representing 16.67% women participation on the Board.	
		The Board recognises the important of gender diversity and strives to achieve at least 30% women participation on the Board. At the same time the Board believes it should not set a target just to fill the required vacancy for gender diversity as the over-riding criteria for assessment and selection should be based on the merit of individual that best fits the Company requirements.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board, via the NRC, leverages on various sources for wider pool of potential candidates. In addition to the recommendation from internal sources, the Board will also source externally via industry acquaintance and industry practitioners for recommendations.</p> <p>Recommended candidate will be submitted to the NRC for its assessment and selection process.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NRC is chaired by Mr. Chung Kin Mun, the Senior Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through the NRC, conducts an annual assessment on the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director.</p> <p>1. Assessment of Individual Director</p> <p>The performance of each individual director was assessed on a ratings-based Effectiveness Assessment (also known as Peer Assessment) for each of the following criterion: -</p> <ul style="list-style-type: none">❖ Will and ability of critical challenge and ask the right questions;❖ Character and integrity in dealing with potential conflict of interest situations;❖ Commitment to serve the Company, due diligence and integrity; and❖ Confidence to stand up for a point of view. <p>2. Assessment of SAB Board</p> <p>The Annual Assessment of the Board was assessed based on whether “Meets Requirements under MCCG” or “Significant Gaps under MCCG” as follows:</p> <ul style="list-style-type: none">❖ Board Structure;❖ Board Operation and Interaction – Structure and Procedures; and❖ Board Roles and Responsibilities. <p>3. Assessment of AC and NRC</p> <p>The evaluation of the Board Committees Effective Assessment was based on the following criteria and ratings will be given for each criterion: -</p> <ol style="list-style-type: none">1. Shares information or insights;2. Participates actively in Committee activities, works constructively with peers;3. Takes strong constructive stands at Committee meetings where necessary;4. Confronts conflicts and provides solutions;5. Provides logical honest opinions on issues presented;

	<ol style="list-style-type: none"> 6. Provides unique insight to issues/matters presented – has valuable skills; 7. Priorities context of issues to be in line with objectives and offers practical/realistic advice; 8. Applies analytical and conceptual skills to the decision-making process; 9. Communicates persuasively in a clear and non-confrontational manner; 10. Well prepared and adds value to Committee meetings; 11. Takes initiative to request for more information; 12. Ensures that individual contribution is relevant and up-to-date with developments; 13. Focuses on accomplishing the objectives; and 14. Assesses and link short-term issues to the long-term strategy
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

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Currently the Company has not formalized the remuneration policies and procedures for Board members and senior management. However, the Board, through the NRC, review the remuneration of Directors and that the remuneration packages are determined on the basis of the Directors’ and senior management’s merit, qualification and competence, having regard to the Company’s operating results, individual performance and comparable market statistics. Senior management remuneration will be reviewed by the MD and ED.</p> <p>As a matter of best practices, the Directors concerned abstained from deliberation and voting on their own remuneration at Board meeting.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	For the FY2020, the NRC comprises solely of Independent Non-Executive Directors. The TOR of the NRC set out the respective roles and responsibilities in relation to the nomination and remuneration respectively and is made available on the Company's website at www.southernacids.com .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 :	In line with best corporate governance, the disclosure of the Directors' remuneration on a named basis are tabulated as follows: -								
	Company						Subsidiary	Group	
	Fees (RM)	Salaries (RM)	Bonus (RM)	Meeting Allowance (RM)	Benefits -In-kind (RM)	Total (RM)	Fees (RM)	Total (RM)	
	Executive Directors								
	Dr. Nick Low	76,000	414,450	175,300	10,700	35,200	711,650	38,220	749,870
	Lim Kim Long	76,000	294,450	122,800	10,400	19,945	523,595	38,220	561,815
	Non-Executive Directors								
	Tan Sri Datuk Seri Panglima Sulong	114,000	-	-	11,200	-	125,200	-	125,200
	Chung Kin Mun	114,000	-	-	16,800	-	130,800	-	130,800
	Mohd. Hisham Harun ^	31,667	-	-	1,600	-	33,267	-	33,267
	Leong So Seh	76,000	-	-	10,700	-	86,700	-	86,700
	Teo Leng	76,000	-	-	8,000	-	84,000	38,220	122,220
	^ Retired on 30 August 2019								
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 Board is of the view that disclosure of the remuneration of senior management staff on named basis will be disadvantageous to the Company's interests. The current human capital environment for key personnel with the right skills set, the requisite knowledge, expertise and experience are very competitive. In addition, such disclosure may give rise to recruitment and talent retention issues.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	<p>The top five senior management (excluding executive directors) of the Group are Mr Cheong Kee Yoong, Mr Alex Chan Choon Hoong, Mr Madam Tan Suet Guan, Mr Tiong Chuu Ling and Mr Lee Choo Chai. For more information of the senior management, please refer to page 54 to page 55 of the Company Annual Report 2020 ("AR 2020").</p> <p>The aggregate remuneration of top five senior management received in the FY2020 was RM3.12 million.</p> <p>The remuneration value above is computed on an aggregate basis, taking into account the relevant personnel's salary, allowances, bonus, benefit-in-kind and other emoluments.</p>
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The AC consists of three members, all of whom are Independent Non-Executive Directors. The AC Chairman is Mr. Chung Kin Mun, who is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company does not have a policy on this matter. However, none of the Audit Committee ("AC") members was a former key audit partner of the Company.	
<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 AC assesses the independence and objectivity of the external auditors in carrying out the statutory audit for the Group as well as prior to the engagement of non-audit services by the external auditors. The main criteria used for the assessment are as follows: -</p> <ol style="list-style-type: none">1. Internal Assessment;2. Written/verbal confirmation from Auditors' Independence Policies; and3. Assurance from the Auditors Rotation of Partners and Managers. <p>The external auditors, Deloitte PLT, have confirmed that they have complied with the independence requirements set out in the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.</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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	The Company does not have a policy on this. However, the current AC comprises solely of Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the AC, Mr. Chung Kin Mun holds a Bachelor of Business (Accounting) from the Phillip Institute of Technology, Australia and is a member of CPA Australia. All members of the Audit Committee are financially literate and carried out their duties in accordance with the Terms of Reference of the AC.</p> <p>The Board, through the Nomination & Remuneration Committee ("NRC"), reviews the terms of office of the AC and assesses the performance of the AC and each of its members annually.</p> <p>All members of the AC have undertaken continuous professional development during the financial year. The training programmes attended by the AC members are stated in the Corporate Governance Overview Statement of the Company's AR 2020.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board affirms its commitment and responsibility towards effective risk management framework and system of internal controls which includes periodic evaluation on its adequacy and integrity in order to safeguard shareholders’ investments and assets of the Group.</p> <p>The Board, via the AC, oversees the risk management function for the Group. The AC will identify, mitigating and monitoring the critical risks highlighted by the management.</p> <p>The process for assessing the adequacy and effectiveness of the risk management and internal control were reviewed by the AC in relation to the audits conducted by the outsourced internal auditor, PricewaterhouseCoopers Risks Services Sdn Bhd (“PwC RAS”) during the year. Audit issues and actions taken by Management to address the issues tabled by PwC RAS were deliberated during the AC meeting, of which is recorded and presented to the Board.</p> <p>Q-RADAR System, a program which is based on Tricor Roots Consulting Sdn Bhd’s (“TRC”) Enterprise Risk Management (“ERM”) framework, is being used as the tool in facilitating the Group’s ERM process. The Q-RADAR System featuring the Corporate Risk Scorecard which is the core risk management module and captures all risk information with the intention to empower the users and providing for a control-self assessment (“CSA”) environment. CSA is a technique that allows managers and work teams directly involved in their respective divisions, functions or processes to participate in assessing the organization's risk management and control processes.</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>Main Features of ERM Framework</p> <p>The main key feature of the Group's ERM framework are as follows: -</p> <ul style="list-style-type: none"> ❖ Stage 1; Development of the ERM Policy and Framework; ❖ Stage 2; Risk Awareness Program; ❖ Stage 3; Development of Corporate Risk Scorecard; ❖ Stage 4; Development of Key Risk Indicators; and ❖ Stage 5; Automation of Incident Reporting and user training <p>Pending the full roll-out of the Q-RADAR System, CSA is being used as part of the Group's ERM framework. On risks relating to the Group's strategic objectives are assessed at the Group level.</p> <p>Main Features of Internal Control System</p> <p>The following is the summary of the key elements of the Group's internal control system:</p> <ol style="list-style-type: none"> 1. <u>Organisation Structure</u> The Company has an organizational structure with formal lines of responsibility and authorization procedures within which senior management operates and is accountable for. 2. <u>Centralised Key Functions</u> In order to achieve greater efficiency, more effective cost management and higher degree of responsiveness to the business environment, several key functions such as finance, investment, treasury, corporate affairs, compliances, tender committee, purchasing and human resources have been centralized. 3. <u>Operational Controls</u> The following operational controls are in place: - <ol style="list-style-type: none"> 1. level of authority for each level of management staff; 2. approval processes for capital expenditure and operational expenditure; and

	<p>3. business planning and annual budgeting process for the respective business units with periodical monitoring of performance.</p> <p>4. <u>Financial Reporting Controls</u> Financial reports are generated on a monthly basis and deliberated at appropriate management meetings respectively whereas the Group's financial statements will be reviewed and deliberated by the AC and Board on a quarterly basis.</p> <p>5. <u>Internal Audit</u> PwC RAS operates independently from the activities it audits. The internal audit function provides the Audit Committee with the assurance regarding the adequacy and effectiveness of the system of risk management and internal control. A systematic and disciplined approach is employed to draw up the annual audit plan for the AC's review and approval before the commencement of internal audit work. Assessment of internal controls in the key activities of the Group's businesses are carried out with the outcome reported directly to the AC.</p> <p>6. <u>External Audit</u> Deloitte PLT performs an evaluation of the design and implementation of the internal controls that are relevant to their annual audit and may report and make recommendation to the AC and management any identified procedures, controls and other aspects that needs improvement which may come to their attention.</p> <p>7. <u>Whistleblower Policy</u> The Group has established a Whistleblower Policy which outlined the Group commitment towards enabling employees and stakeholders to raise concerns in a responsible manner in regards to any wrongdoings without being subject to victimization or discriminately treatment. All disclosures made under the policy will be dealt with in strict confidence.</p> <p>The Whistleblower Policy and a summary of the Principles of Business Conduct are made available on the Company's website.</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>	

Timeframe	:		
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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	:	Not Adopted
Explanation on adoption of the practice	:	The Board, via the AC, oversees the risk management function for the Group.

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 internal audit function is an integral part of the assurance framework and PwC RAS to provide independent validation and recommendations for improvement in the areas of governance, risk and control. PwC RAS reports directly to the AC on a functional basis and to the MD administratively.</p> <p>The internal audit was performed in accordance with generally acceptable internal auditing practices. The approach to be undertaken by PwC RAS is as follow: -</p> <ol style="list-style-type: none"> 1. Discussions with management to obtain an understanding of the processes in the organization; 2. Identify and test the key processes or controls under the review area; 3. Highlight governance and control recommendations based on industry good practices; 4. Discuss preliminary observations with the management to obtain their comments and action plans; and 5. Present the final internal audit report to the AC. <p>The AC assesses the effectiveness of PwC RAS and its resources on an annual basis.</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>PwC RAS and the internal audit staffs on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The number of staff deployed for the internal audit reviews is ranging from 4 to 5 staff per visit including the Engagement Partner. The staffs involved in the internal audit reviews possess professional qualifications and/or a university degree. Several of whom are members of the Institute of Internal Auditors Malaysia.</p> <p>The Engagement Partner is Encik Nik Shahrizal Sulaiman who has a broad range of experience in governance, risk, audit and compliance. Professionally, Encik Nik is qualified in chartered accountancy (ICAEW), investments (CFA), risk management (FRM) and treasury (PKMC) and he has over twenty years of professional experience in the UK and Malaysia.</p> <p>The internal audit was conducted was based on PwC internal audit methodology which takes into considerations of International Professional Practice Framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to maintain an active and proactive communication approach with its shareholders and other stakeholders in a transparent, effective and timely manner. Internally, the Company has in place a Corporate Disclosure Policy which serves as a guide to enhance awareness amongst the employees on the Company's disclosure obligations and procedures.</p> <p>The Company leverages on various communication channels to reach out to shareholders and stakeholders. These include among others: -</p> <ol style="list-style-type: none">1. The Company's website;2. BURSA LINK maintained by Bursa Securities;3. Annual report;4. General meeting; and5. Analysts briefings including sessions with the investment fraternity initiated by external stockbroking and/or research companies.
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	:	The Company does not fall under the category of “Large Companies” as defined in the Malaysian Code on Corporate Governance 2017 for the time being.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The notice period given for the Company's Thirty-Eight Annual General Meeting ("AGM") in 2019 was more than 28 days. The notice was sent on 31 July 2019 and the date of the Thirty-Eight AGM was on 30 August 2019.</p> <p>For the coming Thirty-Ninth AGM in 2020, the notice will be sent out on 25 August 2020 whereas the meeting will be held on 25 September 2020. The notice period is more than 28 days.</p> <p>The notice period given was well in advance of the 21-day requirements under the Companies Act 2016 and the Bursa Securities MMLR. The additional time given to the shareholders would allow them to have sufficient time to scrutinise the annual report and to make necessary arrangement to attend the meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All the Directors of the Company had attended the last AGM held on 30 August 2019.</p> <p>During the questions and answers (Q&A) session of the general meetings, the Chairman invited shareholders to raise questions pertaining to the agenda and resolutions tabled before putting them for voting.</p> <p>The Board ensures that sufficient opportunities are given to shareholders to raise issues relating to the affairs of the Company and that adequate feedback are given.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- ❖ including voting in absentia; and
- ❖ remote shareholders’ participation at General Meetings.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Company had recently approved the adoption of a new Constitution. Under Clause 72 of the Company’s Constitution, it allows a meeting of Members may be held at more than one (1) venue using any technology or method that enables the Members to participate and to exercise the Members’ rights to speak and vote at the meeting.</p> <p>The Board is still assessing the readiness and the practical aspects of technology platform for a virtual AGM.</p> <p>Hence for the coming AGM, the Board has agreed to proceed with a physical AGM.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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

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

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