

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0183
COMPANY NAME : SALUTICA BERHAD
FINANCIAL YEAR : June 30, 2021

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 is committed to lead and manage the Group in an effective and responsible manner. Each Director has a duty to act in the best interest of the Group.</p> <p>The Board recognises the key role it plays in the following principal responsibilities as detailed in the Board Charter in discharging its fiduciary and leadership functions:</p> <ul style="list-style-type: none"> • Review and approve strategies, business plans and significant policies including adequate internal control to manage risk; • Ensuring that there is in place an appropriate succession plan for members of the Board and senior management; • Ensuring that the Group adheres to high standards of ethics and corporate behaviour including transparency in the conduct of business. Directors are required to comply with the Directors' Code of Best Practice which amongst others includes the declaration of any personal, professional or business interests, direct or indirect which may conflict with directors' responsibilities as a Board Member and to refrain from voting on such transaction with the Group; and • Ensuring the adequacy and effectiveness of the Anti-Corruption and Bribery management and policy. <p>The Board Charter is available on Company's website, www.salutica.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 Chairman of our Group Mr. Chia Chee Hoong who is an independent non-executive director. He is responsible for providing leadership to the Board in matters relating to the effective execution of all Board responsibilities. The roles and responsibilities of the Chairman includes:</p> <ul style="list-style-type: none"> • Chairing board meetings and to encourage active participation from the Board members. Dissenting views are allowed to be expressed freely and discussed, while promoting constructive comments and feedbacks. • Ensuring the Board Committee's work is in accordance with best practices so that it is able to discharge its duties effectively and comply with regulatory requirements. • Empowering all Board Committee members to challenge issues and manage these debates without creating unnecessary conflicts. • Ensuring that the Board Committee is provided with appropriate flow of information to enable them to perform their duties competently. • Ensuring high quality reporting to the Board on the work of the Board Committee including identification of solutions to issues and concerns identified by the Board Committee. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	The positions of Chairman and CEO are held by different individuals with clear segregation of duties defined in the Board Charter. The Chairman, Mr Chia is an independent non-executive director and the CEO is Mr Joshua Lim. The Chairman leads the Board in oversight of the management while the CEO is primarily responsible for the day-to-day management of the Group.	
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	:	The Board is supported by competent and experienced Company Secretaries who are members of professional bodies. The Board is regularly updated and advised by the Company Secretaries on new statutory as well as regulatory requirements. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretaries. The Board is satisfied of the performance and support from the Company Secretaries.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Board members are provided with relevant information in a timely manner. The agenda and Board papers will be distributed to all Directors in advance of each Board meeting.</p> <p>The Board shall record its deliberations, in terms of the issues discussed and the conclusions thereof in discharging its duties and responsibilities. Where necessary, senior management may be invited to attend meetings for particular items within their responsibility. The Board may also invite external consultants as and when need arises.</p> <p>Upon conclusion of the Board meeting, the draft minutes are circulated to the Board to ensure that the minutes accurately reflect the deliberations and decisions made by the Board. The final minutes are confirmed and approved by the Chairman.</p> <p>The signed Board minutes of each meeting are kept at the registered office and are available for inspection by any Director during office hours.</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	:	The Board has adopted a Board Charter which is periodically reviewed and published on the Company's website: www.salutica.com/Corporate-Governance/BoardCharter . The Charter provides reference for Directors in relation to the Board's role, duties and responsibilities between the Board, Board committees, Chairman and CEO. The Board has delegated specific tasks to the following committees: 1. Audit and Risk Management Committee ("ARMC"); and 2. Nomination and Remuneration Committee ("NRC").
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	:	The Board has adopted the Code of Conduct and Ethics (the "Code") for the Directors and also employees of the Group. This Code is designed to enhance the standard of corporate governance and corporate behaviour. The Board has also adopted the Anti-Corruption and Bribery Policy (the "Policy") which governs the prevention of corruption and unethical practices within the Group. The Code and the Policy are made available for reference at the Company's website at www.salutica.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

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>All stakeholders are encouraged to raise genuine concerns regarding improprieties in the Group's business practices in an appropriate way.</p> <p>Therefore, the Company provides avenue to report or disclose without fear of retaliation on any improper conduct or wrongdoing within the Company and its subsidiaries (the Group") through its Whistleblowing policy. The policy is intended to provide and facilitate a mechanism for the employees and other stakeholders to report their concerns.</p> <p>The Board is committed to the highest standards of integrity, openness and accountability in the conduct of its business and operations as well as promoting and supporting the culture of honest and ethical behaviour, corporate compliance and good corporate governance.</p> <p>The Policy is made available for reference at the Company's website at www.salutica.com/Corporate-Governance/WhistleblowingPolicy.</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 a majority independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board consists of seven members comprising three independent directors, three non-independent directors and one non-independent alternate director. Therefore, the Board composition is in compliance with Paragraph 15.02(1) of the MMLR of Bursa Securities which stipulates that at least two directors or one third of the Board, whichever is higher, must be independent directors.</p> <p>The role of independent directors are important in ensuring the interests of all stakeholders are taken into account by the Board and relevant proposals are deliberated and subject to impartial consideration by the Board.</p> <p>The Board is of the view that there is balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties and responsibilities as the independent non-executive directors plays a key role in providing unbiased views towards the decision-making process. This offers a check and balance on the Board's deliberations.</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	:	Currently, there are no Independent Directors serving beyond nine (9) years. Should the tenure of an Independent Director exceed nine (9) years, shareholders' approval will be sought at an AGM for such Director to remain as Independent Director, or alternatively, the Director concerned will be re-designated as a Non-Independent Director if his or her service is required. The tenure of Directors is stated in the Board Charter and can be found on the company's website www.salutica.com .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - 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	:	The Board acknowledges the importance of boardroom and management diversity. Nomination and Remuneration Committee ("NRC") is responsible for proposing new candidates for appointment to the Board. The committee is committed to promote diversity in skills, experience, age, cultural background and gender. In identifying suitable candidates to the Board, the NRC shall consider candidates from a wide range of backgrounds, taking care that the appointees have sufficient time to devote to the position.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board currently does not adopt any specific gender policy as all candidates shall be treated fairly and equitably. The Board will provide equal opportunity to candidates with merit. Nonetheless, the Board will endeavor to ensure that gender, ethnicity and age diversity will be taken into account in nominating and appointing any new director.	
		Presently, there is one female director in the Board of seven directors.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	The Board seeks recommendations for candidates for new Board members from existing Board members, senior management team and independent sources. Appointments are subject to screening by the NRC prior to the consideration and approval by the Board. The NRC will not hesitate to utilise independent sources to identify suitable candidates where necessary.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination and Remuneration Committee ("NRC") is chaired by Mr. Low Teng Lum who is a Senior Independent Non-Executive Director. All the members of the NRC consists of independent non-executive directors.	
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>During the financial year, the Board, through its NRC has conducted annual evaluation of the effectiveness of the individual directors. The evaluation was internally facilitated and conducted through evaluation forms circulated to Board members.</p> <p>A scoring mechanism is used and each board member is provided with his/her individual assessment and comments (if any) for continuous improvement. Self-assessment enables the Board to effectively and collectively identify opportunities to improve processes.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company has a remuneration policy and guideline under the purview of the NRC which is annually reviewed. These policies and procedures to determine the remuneration of the Directors and senior management are not made available on the Company's website.	
		The Board determines the remuneration of Directors and senior management by taking into account the demands, complexities and performance of the Company as well as the skills and experienced required.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	The NRC which comprises independent non-executive directors is authorised by the Board to oversee and review the director's remuneration. The Terms of Reference of NRC is published on the Company's website www.salutica.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	:	The disclosure on named basis for the remuneration of individual directors and the remuneration breakdown of individual directors includes fees, salary, bonus, benefit's-in-kind and other emoluments in the Corporate Governance Overview Statement in the Annual Report 2021.	
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	:	The Board is of the view that it would not be in the best interest of the Company to disclose on a named basis the top five senior management's remuneration component because of industry competitiveness for skilful and experienced senior management staff.															
		The Board is of the opinion that the disclosure of the senior management by remuneration bands are sufficient to meet the intended objectives. The key management of the Group who served during the financial year is listed in the profile of key senior managements in the Annual Report 2021 and their aggregate remuneration including executive directors fall within the following band:															
		<table border="1"> <thead> <tr> <th>Range of Remuneration</th> <th>No of persons</th> </tr> </thead> <tbody> <tr> <td>RM100,001 to RM150,000</td> <td>1</td> </tr> <tr> <td>RM300,001 to RM350,000</td> <td>1</td> </tr> <tr> <td>RM350,001 to RM400,000</td> <td>2</td> </tr> <tr> <td>RM400,001 to RM450,000</td> <td>1</td> </tr> <tr> <td>RM1,050,001 to RM1,100,000</td> <td>1</td> </tr> <tr> <td>RM1,100,001 to RM1,150,000</td> <td>1</td> </tr> </tbody> </table>	Range of Remuneration	No of persons	RM100,001 to RM150,000	1	RM300,001 to RM350,000	1	RM350,001 to RM400,000	2	RM400,001 to RM450,000	1	RM1,050,001 to RM1,100,000	1	RM1,100,001 to RM1,150,000	1	
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<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																	
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.															
Timeframe	:	Choose an item.															

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	The Company has a remuneration policy and guideline under the purview of the NRC which is annually reviewed.

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 Board established the ARMC comprising wholly of independent non-executive directors whereby Chairman of the ARMC, Mr. Leow Chan Kiang, is not the Chairman of the Board. This is to ensure the independence of the ARMC in carrying out its duties and responsibilities. The Committee meets periodically to carry out its duties and functions and has unrestricted access to the internal and external auditors and the Management.	
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	:	Currently none of the members of the Board nor the ARMC were former key audit partners of the Company. The Company will observe a cooling-off period of at least two years if any former key audit partner is considered as a candidate for Audit Committee member in the future, as stated in the Terms of Reference of the ARMC.
Explanation for departure	:	Please provide an explanation for the departure.
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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 ARMC is responsible to conduct annual evaluation to assess the suitability, objectivity and independence of external auditors. The ARMC is also empowered by the Board to review any matters concerning the appointment, and reappointment, resignations or dismissal of external auditors.</p> <p>During the financial year under review, the ARMC was satisfied with the technical competency of PricewaterhouseCoopers PLT. The external auditors had also confirmed the independence throughout their audit engagement in respect of the financial year under review.</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	:	Adopted
Explanation on adoption of the practice	:	The ARMC comprised solely 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	:	The ARMC members consists of independent non-executive directors. The Chairman is Mr. Leow Chan Khiang who is a member of the Malaysian Institute of Accountants. Together with Mr. Low Teng Lum and Mr. Chia Chee Hoong as its members, they have the relevant experience and necessary skills to discharge their duties. The ARMC members have attended relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, practices and rules to enable them to discharge their duties effectively. The profiles of the ARMC members are provided in the Annual Report 2021.	
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	:	The Board has established the risk management and internal control framework and policies to identify and manage the principal risk faced by the Group. The Group has established Risk Management Committee ("RMC") chaired by the Chief Executive Officer with members from the Key Management personnel from respective divisions. The objective is to ensure the effectiveness of identification, analysis, assessment, monitoring and communication of risks and internal control issues that will allow the Group to safeguard shareholders investments and assets by mitigating losses and maximising opportunities.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board assisted by the Management is mindful to make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.</p> <p>The consistent and systematic application of risk management is central to maximising shareholders' value, effectively leveraging the benefits of opportunities, managing uncertainty and minimising the impact of adverse events. A risk register is maintained and updated on a quarterly basis or whenever the need arises.</p> <p>The risk profile identified are categorised based on likelihood of occurrence and the impact if such occurrence happened.</p> <p>The Group's risk monitoring and management is enhanced through the engagement of an independent professional service provider to provide independent assurance on the effectiveness of the Group's system of internal controls and advise the Board in areas that requires further improvement.</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	:	Not Adopted
Explanation on adoption of the practice	:	The Group have a Risk Management Committee with Mr. Joshua Lim as the Chairman and Head of Departments as management members. The committee's risk management framework and policies is under the ARMC.

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	:	During the financial year 2021, the Board has outsourced the internal audit function to an independent professional service provider, Tricor Axcelasia Sdn. Bhd. ("Tricor Axcelasia"). They provide independent assurance to the ARMC on the adequacy and effectiveness of the Group's system of internal controls and advise in areas that requires further improvements. The Group had conducted two internal audit reviews during the financial year 2021.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	The internal audit function is carried out by an independent professional service provider, Tricor Axcelasia. The internal audit engagement team is headed by Mr. Chang Ming Chew, an executive director of Tricor Axcelasia together with its managing consultants and team leaders. They are free from any relationships or conflicts of interest which could impair their objectivity and independence. The internal audit members performed their work guided by the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors.	
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	:	The Board ensures that the Company's announcements are made on a timely manner via Bursa Link and the Company's website. This will ensure continuous updated information between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. The Company also engages with its shareholders through Annual General Meetings which provides an avenue for them to express concerns and seek clarifications in order to achieve an effective and transparent communication between both parties. The Company also holds analyst briefing with investment analysts and fund managers.
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	:	<p>At present, it is not applicable as the Company is not a large company as defined by the MCCG 2021. Nonetheless, the Board is aware of the importance to adopt integrated reporting based on global recognised framework. Therefore, the Board had put its best effort to provide concise overview of the Group's business strategy including both financial and non-financial information through the Chairman's Statement, CEO's Message, Management Discussion and Analysis ("MDNA"), Corporate Governance Overview Statement, Sustainability Statement and financial results in which certain components of integrated reporting had been incorporated such as risk and opportunities and how the Group is dealing with them.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	The Notice of the forthcoming 9 th AGM of the Company is circulated to the shareholders on 27 October 2021, which is 28 days prior to the AGM. In addition, the Notice of AGM is also published in a nationally circulated newspapers together with an announcement on Bursa's website and also the Company's website. This ensures the shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at the AGM.
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	:	All directors will be present at the AGM. During the AGM, shareholders are encouraged to participate in deliberating resolutions being proposed. During the 8 th AGM held last year, all directors were present and all questions raised by shareholders were addressed in the meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 does not have large number of shareholders or have meetings in remote locations.</p> <p>In line with the Paragraph 8.29A of the MMLR, all resolutions put to AGM will be voted via electronic polling and an independent scrutineer will be appointed to validate the votes casted at the AGM.</p> <p>As the same with last year, the Board had decided to conduct fully virtual AGM for this year and hence shareholders may participate and vote remotely. Shareholders that are not able to participate are allowed to appoint a proxy.</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	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

**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.

Not Applicable
