

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0183
COMPANY NAME : SALUTICA BERHAD
FINANCIAL YEAR : June 30, 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 is responsible for the Group's overall corporate governance strategy. Each Director has a duty to act in the best interest of the Group. The Board assumes 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; • To evaluate whether the business is being properly managed and to ensure that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard the Company's assets; • Ensuring that there is in place an appropriate succession plan for members of the Board and senior management; and • 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
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 1.2

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. Some of his key responsibilities includes:</p> <ul style="list-style-type: none"> • 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. The Chairman, Mr Chia is an independent non-executive director and the CEO is Mr Joshua Lim. Both of them have clear division of responsibilities. 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 three Company Secretaries and the Board is satisfied of the performance of the Company Secretaries. 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.	
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>In order for the Board to discharge its duties and responsibilities efficiently, 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>	
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 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: <ol style="list-style-type: none"> 1. Audit and Risk Management Committee; and 2. Nomination and Remuneration 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

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 Code of Conduct and Ethics is intended to focus on the Board and each director based on principles of integrity, responsibility, sincerity and corporate social responsibility. This Code is designed to enhance the standard of corporate governance and corporate behaviour. The Code is made available for reference at the Company's website at www.salutica.com/Corporate-Governance/CodeofConductandEthics	
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	:	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. 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. The Policy is made available for reference at the Company’s website at www.salutica.com/Corporate-Governance/WhistleblowingPolicy
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 three independent directors, three non-independent directors and one non-independent alternate director. They are qualified individuals with diverse skills, experiences and knowledge that facilitates a balanced decision-making process. The composition of three independent non-executive directors meets the one-third requirement for independent directors to be appointed to the Board under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</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 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	:	We do not have a written policy on gender diversity due to the size of the board composition. The Board will provide equal opportunity to candidates with merit. Nonetheless, the Board will give consideration to the gender diversity objectives.	
		The Board has informally adopted the practice to improve gender diversity on the Board. It has one woman director out of 7 directors making up approximately 14% of the total directors on the Board as at 30 June 2020.	
<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.	
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	:	A formal Board Assessment and Evaluation of the Board, Committee members and Individual Director is conducted annually. It is a peer evaluation conducted using questionnaires. 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.	
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 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 has a policy which deals with its authority and duties and these Terms of Reference are 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 2020.	
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.	
<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	:	

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 Chairman of the Audit Committee is Mr. Leow Chan Kiang who is an independent non-executive director. He is not the Chairman of the Board. This is to ensure the independence of the Audit Committee in carrying out its duties and responsibilities.	
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 Audit and Risk Management Committee ("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	:	The Audit Committee was satisfied with the performance and independence of the external auditors, PricewaterhouseCoopers PLT as well as the fulfilment of criteria based on quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work. PricewaterhouseCoopers PLT had also confirmed the independence throughout their audit engagement in respect of the financial year under review.	
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 :	

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 Audit Committee members consists of Independent Non-Executive directors. The Chairman is Mr. Leow Chan Khiang with Mr. Low Teng Lum and Mr. Chia Chee Hoong as its members. Collectively, they have the relevant experience and knowledge and who are financially literate and able to understand matters under the purview of the Audit Committee including financial reporting process. The Committee will undertake the 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.
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 an Enterprise Risk Management (“ERM”) framework to identify and manage significant 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 is mindful to make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. 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. Risk assessment is integrated into planning and operations of the Company. 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 :	

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	:	The Board outsource the internal audit function to an independent professional service provider, NGL Tricor Governance Sdn. Bhd. ("NGL"). The internal auditors work within the scope of an audit plan, which has been approved by the Audit Committee, to review and test the adequacy and effectiveness of the Group's internal controls. They report directly to the Audit Committee, who shall review the Internal Audit report together with NGL during the Audit Committee meeting. The Group conducts internal audit work twice in a financial year.	
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, NGL Tricor Governance Sdn. Bhd. (“NGL”). The internal audit engagement team is headed by Mr. Chang Ming Chew, a director of NGL 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 by referring to 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 Company is committed to provide comprehensive, accurate and material information on a timely basis to investors and the general public. The Company engages with its stakeholders through Annual General Meetings, announcements on Bursa Malaysia Securities Berhad as well as through annual reports and updates on Company's website. The Company also holds meetings with 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	:	The Company is not categorised as a large company as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The annual report of the Company constitutes an integrated reporting where it has comprehensive information on the Company's Management Discussion and Analysis ("MDNA"), corporate governance and financial results.	
		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

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is endeavour to dispatch its notice of AGM at least 28 days prior to the meeting and mindful that sufficient notice and time is given to shareholders to make necessary arrangements to attend and participate in the AGM.</p> <p>The notice for the 7th AGM of the Company held on 22 November 2019 was sent on 24 October 2019, which is 28 days prior to the AGM. This ensures the shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at the AGM.</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	:	All directors and senior management attended the Annual General Meeting for the financial year ended 30 June 2019 in November 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

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company does not have large number of shareholders or have meetings in remote locations. The participation of shareholders of the Company at the Annual General Meeting (“AGM”) is by way of attending in person or by proxy.	
		The 7 th AGM was held at the office of the Company which is easily accessible by shareholders. Shareholders that are not able to attend are allowed to send a proxy to attend and participate in the AGM. The Company would embark on electronic voting and remote shareholders’ participation (virtual meeting) if the need arises.	
<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.	

**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.

Click here to enter text.