

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 0112  
**COMPANY NAME** : MIKRO MSC BERHAD  
**FINANCIAL YEAR** : 30 JUNE 2020

### **OUTLINE:**

#### **SECTION A - DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Rule 15.25 of Bursa Malaysia ACE Market 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 Rule 15.25 of Bursa Malaysia ACE Market 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p><b>Roles and Responsibilities</b></p> <p>The Board's function, amongst others, is to guide the Group on its short and long-term goals, providing advice, stewardship and directions on the management and business of the Group.</p> <p>The Board's principal responsibilities include the following:</p> <ul style="list-style-type: none"> <li>• Reviewing and adopting strategic plans for the Group;</li> <li>• Providing entrepreneurial leadership to management to promote innovation and long-term value creation;</li> <li>• Identifying principal risks and setting the risk appetite and ensuring the implementation of appropriate risk management, internal controls and mitigation measures;</li> <li>• Succession planning;</li> <li>• Overseeing the development and implementation of shareholder communications and corporate disclosure policies for the Group; and</li> <li>• Overseeing the adequacy and integrity of the Group's internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.</li> </ul> <p>To enable the Board to discharge its role and functions effectively, the Board has established the following committees:</p> <ul style="list-style-type: none"> <li>• Audit Committee ("AC")</li> <li>• Nomination Committee ("NC")</li> <li>• Remuneration Committee ("RC")</li> <li>• Risk Management Committee ("RMC")</li> </ul> <p>The above roles and responsibilities have been formalised in the <i>Board Charter</i> which is uploaded onto the Group's website at</p>

[www.itmikro.com](http://www.itmikro.com)

### **Code of Conduct and Ethics**

The Board has formalised a Code of Conduct and Ethics which reflects the Group's vision and core values of integrity, respect and trust. The core areas concerned include the following:

- Work environment and employment
- Group's assets and information
- Data privacy
- Conflicts of interest
- Anti-bribery, anti-corruption and no gifts policies
- Communications with the public
- Financial accounting and reporting accuracy

The Code of Conduct and Ethics governs the conduct of the Directors and all employees of the Group and provides guidance on the communication process and the duty to report whenever there are breaches of the same. In connection thereto, each Director is to communicate any suspected violations of this code and all violations will be investigated by the Board or persons designated by the Board, and appropriate action will be taken on the said violations. This code is reviewed and updated from time to time by the Board to ensure that it continues to remain relevant and appropriate.

The *Code of Conduct and Ethics* can be viewed on the Group's website.

### **Whistle-blowing Policy and Procedures**

To maintain the highest standards of ethical conduct, the Group has formal Whistle-blowing Policy and Procedures. This policy established a framework whereby stakeholders can raise in confidence any possible corporate misdemeanours. This channel was created to help stakeholders to raise their concerns without any risk of victimisation or retaliation provided that the whistleblowing was done in good faith.

All concerns raised will be investigated and whistle-blowers can report through telephone or via e-mail to the Managing Director ("MD"). If this is considered inappropriate, reports can be made to the Senior Independent Director ("SID") or to the Chairman of the AC.

The *Whistle-blowing Policy and Procedures* can be viewed on the Group's website.

### **Sustainability**

	<p>The responsibility to promote and embed sustainability in the Group lies with the Board and in this respect, it strives to achieve continuing growth and profitability in a safe, caring and sustainable environment.</p> <p>The Group's <i>Sustainability Statement</i> is set out on pages 14 to 16 of the Annual Report 2020.</p> <p><b>Succession Plan</b></p> <p>The Group recognises that effective succession planning is integral to the delivery of its strategic plans. It is essential to ensure a continuous level of quality in key management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity.</p> <p>Given the current state of the Group's business and lifecycle, there is an informal succession plan for key management in place. Going forward and at the relevant and appropriate time, the Board shall look into a structured approach to the said plan for the Group.</p> <p><b>Access to Information and Advice</b></p> <p>All Directors have full and unrestricted access to Senior Management and the service and advice of the Joint Company Secretaries and the internal and external auditors (via the AC) and they as a whole or individually may also seek independent professional advice if necessary, at the Group's expense to enable them to discharge their duties and responsibilities.</p> <p>Non-Executive members of the Board are kept updated on the Group's activities and operations by the MD on a regular basis and all Directors have the right of access to all reports on the Group's activities, both financial and operational.</p> <p>The Directors also received updates from time to time on relevant new laws and regulations. Visits by the Non-Executive Directors to the Group's businesses were also arranged for enhancement of their knowledge in respect of the Group's businesses as well as better awareness of the risks associated with the Group's operations.</p>
<p><b>Explanation for departure</b> :</p>	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	Our Chairman, Datuk Aznam bin Mansor is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner. In fulfilling this role, our Chairman: <ul style="list-style-type: none"><li>• Provides leadership to the Board to ensure its effectiveness without limiting the principle of collective responsibility for Board decisions;</li><li>• Ensures that the Directors receive complete, adequate and timely information;</li><li>• Ensures effective communications with shareholders;</li><li>• Facilitates effective contribution by Non-Executive Directors;</li><li>• Sets the agenda for Board meetings, in conjunction with the MD and ensures that adequate time is available for discussion of all items on the agenda;</li><li>• Promotes high standards of corporate governance; and</li><li>• Promotes a culture of openness and debate during Board meetings.</li></ul>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman is Datuk Aznam bin Mansor while the MD is Mr Yim Yuen Wah.</p> <p>The roles of the Chairman and MD are strictly separated to ensure balance of power and authority and to maintain effective supervision and accountability of the Board and Executive Management.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has the service and advice of Joint Company Secretaries. The current Joint Company Secretaries, Mr M. Chandrasegaran A/L S. Murugasu and Ms Lim Seck Wah are members of the Malaysian Institute of Chartered Secretaries and Administrators. Each of them has more than twenty (20) years of corporate secretarial experience and their tasks include, but are not limited to the following:</p> <ul style="list-style-type: none"><li>• Manage all Board and Board committees' logistics, attend and record minutes of all Board's and Board committees' meetings and facilitate Board communications;</li><li>• Advise the Board on its roles and responsibilities;</li><li>• Ensure adherence to Board's and Board committees' policies and procedures;</li><li>• Facilitate the orientation of new Directors and assist in Directors' training and development;</li><li>• Advise the Board on corporate disclosures and compliance with company and securities regulations and the ACE Market Listing Requirements of Bursa Securities Malaysia Berhad ("AMLR");</li><li>• Ensure timely communication of Board's and Board committees' decisions to Executive Management for action;</li><li>• Manage processes pertaining to general meetings;</li><li>• Monitor corporate governance developments and assist the Board in applying governance practices to meet Board's needs and stakeholders' expectations;</li><li>• Notify the Chairman of any possible violations of regulatory requirements; and</li><li>• Serve as a focal point for stakeholders' communications and engagement on corporate governance issues.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>To facilitate the Directors' time planning, a pre-scheduled annual calendar of Board meetings is circulated and confirmed by the Board one (1) month before the commencement of each financial year, to provide ample time for the Directors to plan their attendance.</p> <p>The notices of meetings and agenda are sent to the Directors electronically at least one (1) week in advance and Board meeting papers are sent to the Directors electronically at least five (5) days prior to Board meetings. This enables the Directors to prior peruse the matters to be deliberated upon. Hard copies of the Board meeting papers and if necessary, further information are provided at the meeting for deliberation and informed decision making.</p> <p>The Board meeting papers include, among others, the following documents or information:</p> <ul style="list-style-type: none"><li>• Reports of meetings of all committees of the Board including matters requiring the Board's deliberation, approval and notation</li><li>• Performance reports of the Group, which include information on financial, strategic business issues and updates</li><li>• Major operational, financial, legal, regulatory and corporate issues</li><li>• Board papers for other matters for discussion/approval</li></ul> <p>All deliberations, discussions and decisions of the Board meetings were minuted and recorded accordingly. All proceedings of Board meetings were signed by the chairperson of the meeting concerned or the chairperson of the next meeting pursuant to Article 131 of the Company's Constitution.</p>
<b>Explanation for departure</b> :	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formally adopted a <i>Board Charter</i> that sets out the respective roles and responsibilities of the Board, Board committees and Executive Management and the standard of conduct expected of individual Directors.</p> <p>The <i>Board Charter</i> clearly sets out the matters reserved for the Board, except where they are expressly delegated to a Board committee, the Chairman, the MD or a nominated member of Executive Management.</p> <p>The <i>Board Charter</i> is reviewed periodically or as and when changes occur to ensure that it reflects the current needs of the Group.</p> <p>More information on the <i>Board Charter</i> can be found on the Group's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	See explanation on the application of Practice 1.1.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	See explanation on the application of Practice 1.1.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Half of the Board comprises Independent Directors who bring objective and independence judgements to facilitate a balanced leadership in the Group. There are currently eight (8) members on the Board, of whom four (4) are Independent Directors.</p> <p>The Board recognises the importance of independence and objectivity in the decision-making process. Each of the Independent Directors has declared his personal independence to the Board based on the criteria as set out in the AMLR.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The tenure of an Independent Director is stipulated in the Board Charter, whereby it shall not exceed a cumulative term limit of nine (9) years.</p> <p>However, an Independent Director may continue to serve on the Board beyond nine (9) years subject to his/her re-designation as a Non-Independent Director.</p> <p>In the event that said Director is to remain designated as an Independent Director, the Board shall, upon the recommendation by the NC, justify and obtain shareholders' approval for the Director concerned to be retained as an Independent Director.</p> <p>If the Board continues to retain the Independent Directors after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.</p> <p>As of the date of the forthcoming 14th Annual General Meeting ("<b>AGM</b>"), Datuk Aznam bin Mansor, Dr. Tou Teck Yong and Mr Lu Chee Leong have been in office for more than twelve (12) years. The Board shall seek shareholders' approval through a two-tier voting process at the said AGM for these Directors to be retained as Independent Directors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In assessing the suitability of any candidate for the directorship, the Board (via the NC) will take into consideration the candidate's reputation, educational background, skills, knowledge, expertise, competence and experience that is in line with the Group's business operations, age, time commitment, independence and integrity.</p> <p>As for Senior Management, the Board is committed to provide fair and equal opportunities and nurturing diversity in the Group. In this respect, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with the appropriate experience and qualifications will be considered during recruitment and promotion.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>There is only one (1) female member on the current Board. The Board is on a continuing outlook for potential women Directors and shall appoint additional women Directors as and when suitable candidates are identified. No timeframe has been set for the search concerned.</p> <p>The Group's Diversity Policy is disclosed in the Corporate Governance Overview Statement on pages 17 to 23 of the Annual Report 2020.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Although it has been the norm for the Board to rely on existing Directors or Executive Management or major shareholders to recommend candidates for appointment of Directors, the Board, if appropriate, will also rely on recommendations from business associates, advisers, consultants, etc. for potential candidates for appointment to the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NC is chaired by the Dr. Tou Teck Yong who is also the SID.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board (via the NC) evaluates the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director. This evaluation which is done annually is facilitated by the Joint Company Secretaries and conducted using evaluation forms covering the following aspects:</p> <p><u>Board and Board committees</u></p> <ul style="list-style-type: none"><li>• Board mix and composition</li><li>• Quality of information and decision making</li><li>• Boardroom activities</li><li>• Board's relationship with the management</li></ul> <p><u>Directors</u></p> <ul style="list-style-type: none"><li>• Fit and proper</li><li>• Contribution and performance</li><li>• Calibre and personality</li></ul> <p>As for the AC, the annual evaluation is done in two (2) components:</p> <p>(i) The AC as a whole - This evaluation which covers the below aspects is done by the MD as all the NC members are AC members:</p> <ul style="list-style-type: none"><li>• Quality and composition</li><li>• Skills and competencies</li><li>• Meeting administration and conduct</li></ul> <p>(ii) Self and peer evaluation by the AC members</p> <p>Completed evaluation forms and the results of the evaluations are collated into a report and deliberated on by the NC and subsequently by the Board and key issues arising thereon are identified for further action by Executive Management.</p> <p>Based on the evaluation carried out for the financial year ended 30 June 2020, the NC has informed the Board that it was satisfied</p>

	<p>with the effectiveness of the Board and Board committees and the contribution and performance of each individual Director.</p> <p>The MD has also informed the Board that he was satisfied with effectiveness of the AC. In addition, the NC having reviewed the self and peer evaluations of the AC members has informed the Board that the AC is performing effectively.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board (via the RC) will ensure that the Group’s levels of remuneration commensurate with the skills and responsibilities expected of Senior Management as well as the Directors and that it must be sufficient to attract and retain talent needed to run the Group successfully. The Board, as a whole, determines the remuneration of the Directors and each individual Director is required to abstain from discussing his/her own remuneration. The RC is guided by market norms and industry practices when making recommendations for the compensation and benefits of Directors and Senior Management.</p> <p>The RC’s recommended remuneration for Directors is subject to Board’s approval as it is the ultimate responsibility of the Board to approve the remuneration of the Directors.</p> <p>In relation to the fees and allowances for Directors, it will be presented at the AGM for shareholders’ approval.</p> <p>The details of the Group’s <i>Remuneration Policy</i> are available on the Group’s website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The RC's terms of reference has been uploaded onto the Group's website.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on a named basis for the remuneration of individual Directors is set out in Directors' Report on pages 41 of the Annual Report 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board has disclosed on a named basis the remuneration of its MD and the Chief Technology Officer (who is also an Executive Director). It opined that the disclosure of the compensation of key management personnel in Note 30 to the financial statements on page 95 to 96 of the Annual Report 2020 is adequate as it complies with Paragraph 17 of Malaysian Financial Reporting Standard 124 "Related Party Disclosures".</p> <p>This is also in line with the Group's policy of ensuring the privacy of its non-Board employees as well as the competitiveness of the Group in general.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the AC, Mr Lu Chee Leong, is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The policy to require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC is set out in the <i>Policy on Employment of Former Employees of the External Audit</i> which is available on the Group's website.</p> <p>In this context, none of the current members of the AC is a former key audit partner who was involved in auditing the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC's policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors are stipulated in the <i>Policy of External Auditor</i> which has been uploaded onto the Group's website.</p> <p>Prior to the commencement of the annual audit, the AC shall seek confirmation from the external auditors as to their independence.</p> <p>This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The AC comprised solely Independent 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Chairman of the AC, Mr Lu Chee Leong, is a member of the Association of Chartered Certified Accountants (United Kingdom) and a member of the Malaysian Institute of Accountants. He joined Messrs. Kassim Chan &amp; Co. (now known as Deloitte PLT.) as an auditor in 1990 and obtained his designation as Chartered Accountant in September 1995. He left Kassim Chan &amp; Co. in 1995 to join Kinabalu Ria Sdn Bhd as its Group Accountant. In 1997, he joined a local leading telecommunication company as its Finance Manager. He left the telecommunication company and started his own practice providing corporate services in early 2015.</p> <p>Datuk Aznam bin Mansor graduated with a Bachelor of Arts with Second Class Honours (First Division) degree, having completed a course in Law from North East London Polytechnic, London, United Kingdom (now known as University of East London) in 1983 He was admitted to the Honourable Society of the Lincoln's Inn in 1984 and was called to the Malaysian Bar as an Advocate and Solicitor in 1986. He started his career as an officer in Malayan Banking Berhad and then joined Messrs. Skrine &amp; Co., a legal firm in Kuala Lumpur for eight (8) years. He is presently a Senior Partner of Messrs. Lee Hishamuddin Allen &amp; Gledhill, a prominent legal firm in Kuala Lumpur.</p> <p>Dr. Tou Teck Yong is a holder of a Bachelor degree and PhD in Physics from Universiti Malaya. His academic and research career at universities in Malaysia and Australia cover the fields of plasma, lasers, silicon, organic LED, thin films and characterisation techniques. In 1999, he joined Universiti Multimedia as a full professor in the Faculty of Engineering. He is a fellow of the Academy of Science Malaysia and Institute of Physics Malaysia.</p>

	<p>Mr Woon Yeow Thong graduated with an Upper Second-Class Honours in Law from the University of Kent at Canterbury in 1988. He was called to the Bar of England &amp; Wales in 1989 and admitted as Advocate &amp; Solicitor to the Malaysian Bar in 1990. As a senior counsel, he has vast experience in a wide array of commercial and corporate litigation matters.</p> <p>They are all financial literate and the trainings, if any, attended by them during the financial year ended 30 June 2020 are disclosed in the Corporate Governance Overview Statement on pages 17 to 23 of the Annual Report 2020.</p>	
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board has established a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to manage the Group's risks within its risk appetite rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The features of the Group's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control on pages 25 to 30 of the Annual Report 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The RMC currently has three (3) members, of whom two (2) are Independent Directors.

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to an independent professional consulting firm to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group.</p> <p>The internal auditors' independence is maintained by reporting functionally to the Board through the AC and administratively to Executive Management.</p> <p>Internal audit reports which are issued have to be tabled to the AC for review and Executive Management is required to be present at AC meetings to respond and provide feedback on the audit findings and recommended improvements.</p> <p>In addition, Executive Management is also required to present to the AC in meeting, status updates on significant matters and changes in key processes that could impact the Group's operations.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to Talent League (“TL”) which has 5 personnel with relevant qualifications and/or experience in internal auditing.</p> <p>Based on TL’s written declarations, nothing has come to the AC’s attention to indicate that the internal audit personnel assigned by TL to the Group’s internal audit during the financial year ended 30 June 2020 had any relationships or conflicts of interest with the Group, which could impair their independence and objectivity.</p> <p>TL’s engagement director in charge of the Group’s internal audit is Mr Thean Chong Yew, a Chartered Member of Institute of Internal Auditor. Mr Thean is also a member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. Mr Thean has more than twenty-one (21) years of audit experience.</p> <p>During the financial year ended 30 June 2020, the internal audit of the Group was carried out in accordance with a risk-based audit plan (prepared in accordance with International Standards for the Professional Practice of Internal Auditing) approved by AC.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to ensuring that communications to stakeholders and the investing public in general, regarding the businesses, operations and financial performance of the Group is timely and factual and are available on an equal basis.</p> <p>The release of announcements and information by the Group to Bursa Malaysia Securities Berhad ("<b>Bursa Securities</b>"), is handled by the MD and/or the Joint Company Secretaries within the prescribed requirements of the AMLR and the <i>Shareholder Communication and Corporate Disclosure Policy ("SCCDP")</i>.</p> <p>The SCCDP outlined the procedures and processes to be followed in ensuring compliance by all Directors, officers and employees of the Group. The full text of the SCCDP is available on the Group's website.</p> <p>Information is disseminated via annual reports, circulars/statements to shareholders, quarterly and annual financial statements, and announcements from time to time. As these announcements and information can be price-sensitive, they are only be released after having reviewed by the MD and/or the Board where necessary.</p> <p>The Group's website also provides all relevant information to stakeholders and the investing community. Quarterly and annual financial statements, announcements, financial information, annual reports, and circular/statements to shareholders are uploaded onto the website for investors and the public.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Not Applicable	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company's Notice of the forthcoming 14th AGM shall be given to shareholders at least twenty-eight (28) days prior to the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 14th AGM to address shareholders' queries at the meeting.</p> <p>The external auditors will also be present at the meeting to answer shareholders' queries on their audit process and report, the accounting policies adopted by the Group, and their independence.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company does not have a large number of shareholders and the forthcoming 14th AGM will be held at Kota Permai Golf Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, which is easily accessible.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**SECTION B - DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

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

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