

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5231  
**COMPANY NAME** : PELIKAN INTERNATIONAL CORPORATION BERHAD  
**FINANCIAL YEAR** : 31 DECEMBER 2019

## OUTLINE:

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

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board of Directors ("<b>Board</b>") is responsible for providing strategic guidance to the Company and effective oversight of its Management, for the benefits of shareholders and other stakeholders. The Board Charter sets out a framework which adopts principles of good corporate governance and is designed to maximise the Company's compliance with best practice requirements.</p> <p>The Board Committees are established to assist the Board in exercising its authority and each Board Committee will assist the Board by focusing on the respective activities in accordance to the Terms of Reference, reporting to the Board on decisions, actions taken or making any necessary recommendations to the Board.</p> <p>The Board is responsible for the overall corporate governance, strategic direction and corporate goals and therefore, monitors the achievement of these goals. It provides effective leadership and manages overall control of the Group's affairs through the discharge of the following principal duties and responsibilities:-</p> <p><b>1) Reviewing and adopting a strategic plan for the Company</b></p> <p>The Board noted that the Company has established its "Vision" as follows:-</p> <ul style="list-style-type: none"><li>• To be a successful, profitable and brand focused company operating worldwide.</li><li>• We create products desired and loved by our consumers.</li></ul>

- We are a culturally diverse international family of talented and motivated people who share one vision and strive towards the same goals.

The Board also noted the “Mission” of the Company is set as follows”-

- Our trusted brands are daily companions.
- We are an internationally operating company with German roots.
- With passion and expertise we create products and solutions that fulfill consumers’ needs.
- We are committed to create value for our shareholders and customers.

The Company strives to achieve its vision and mission through the following guiding principles:-

- (a) Integrity
- (b) Commitment
- (c) Quality
- (d) Teamwork
- (e) Innovation

## **2) Overseeing the conduct of the Company’s business**

The role of the Board is to provide strategic guidance to the Company and effective oversight of its Management, for the benefits of shareholders and other stakeholders. In the normal course of events, the day-to-day management of the Company will be in the hands of Management and under the stewardship of the President/Chief Executive Officer (“**CEO**”), Mr. Loo Hooi Keat.

The Board received updates from the Management, Mr. Loo Hooi Keat and Mr. Ho Ming Hon as Senior Vice President/Head of Group Finance and Corporate Services, at the quarterly Board meetings when reviewing the quarterly financial results. During such meetings, the Board actively involved in the discussion on the business and financial performance of the Company.

Furthermore, the Board has on 21 February 2020 established an Executive Committee (“**EXCO**”) that comprises of five (5) members of the Board. In view of the establishment of EXCO, a Term of Reference of EXCO has been adopted by the Board on 21 February 2020.

The EXCO will undertake the responsibilities as outlined in the Terms of Reference of the EXCO. The EXCO will meet up regularly to review and monitor the progress and performance of the Group's business strategy, business plan and budgets.

**3) Identification of principal risks and implementation of appropriate internal control and mitigation measures**

The Board is ultimately responsible for the Company's overall system of corporate governance including adopting a sound and effective system of risk management and internal controls of the Group and for reviewing its effectiveness. The Group has in place a formal and systematic risk management process to identify, evaluate, mitigate, monitor and review risks impacting the achievement of the Group's corporate objectives. The Board has delegated its risk oversight responsibility to the Audit and Risk Management Committee ("**ARMC**").

Further details of the Risk Management Framework are set out in the Statement on Risk Management and Internal Control of the Company's Annual Report in respect of the financial year ended 31 December 2019 ("**Annual Report 2019**").

**4) Succession Planning**

The Board recognises that succession planning of the Senior Management is an ongoing process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring and training for high level management positions that become vacant due to retirement, resignation, death or disability and/or new business opportunities.

The Board will review its succession plans by assessing the composition of the Board which include information on board members, length of service, re-election, membership of Board Committees and other directorships held by the individual Director which give the Board a clear picture of upcoming vacancies which will need to be filled.

**5) Overseeing the development and implementation of a shareholder communications policy for the company**

The Board ensures that the Company puts in place and review as required, a comprehensive communication policies

	<p>to address how the Company interacts with shareholders, other stakeholders, public, media, government bodies and authorities as well as complies with its continuous and timely disclosure requirements.</p> <p>The Board will use its best endeavors to familiarise itself with issues of concern to shareholders. The Board will regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development of the business or the interests of shareholders and, if thought appropriate, will take outside expert advice on these matters.</p> <p><b>6) Reviewing the adequacy and the integrity of the Group's internal control system and management information systems</b></p> <p>The Board has established key control processes to ensure that there is a sound framework of reporting on internal controls and regulatory compliance.</p> <p>The Statement on Risk Management and Internal Control as set out in the Company's Annual Report 2019 provides an overview of the state of risk management and internal controls within the Group.</p>	
<p><b>Explanation for departure</b></p>	<p>: -</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>: -</p>	
<p><b>Timeframe</b></p>	<p>: -</p>	

## 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>	<p>Following the resignation of Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor with effect from 12 September 2019, Dato' Indera Syed Norulzaman bin Syed Kamarulzaman has been appointed as Independent Non-Executive Director on 12 September 2019 and subsequently re-designated as Chairman of the Board with effect from 22 November 2019.</p> <p>The Chairman is principally responsible for the working of the Board as set out in the Board Charter of the Company which include the following:-</p> <ol style="list-style-type: none"><li>(1) Representing the Board to shareholders;</li><li>(2) Ensuring the integrity and effectiveness of the governance process of the Board;</li><li>(3) Maintaining regular dialogue with the President/CEO over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him cause for major concern;</li><li>(4) To act as facilitator at meetings of the Board to ensure that no Directors, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among Directors is forthcoming;</li><li>(5) Providing overall leadership to the Board, without limiting the principle of collective responsibility for decision of the Board;</li><li>(6) Participating in the selection of Board members and ensuring that the membership is properly balanced;</li><li>(7) Chairing meetings of the Board in such a manner that will stimulate debate on the issues before the Board and encourage the most effective contribution from each Director.</li><li>(8) Ensuring that the agenda and all necessary background paper are given to Directors in sufficient time for the Board's consideration;</li><li>(9) Reviewing the minutes of meetings of the Board before meeting, to ensure they accurately reflect the Board's deliberations, and matters arising from the minutes and on which further action is required have been addressed;</li></ol>

	(10) Monitoring the performance of the Board as a whole; (11) Ensuring membership of the Board is appropriately skilled to meet the needs of the Company; (12) Assisting in Board discussions to address the key issues facing by the Company; (13) Initiating the establishment of Board Committee and ensuring that they achieve their objectives; (14) Guiding and promoting the ongoing efficacy and development of the Board and its individual Directors; and (15) Fastening high corporate governance.	
<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 position of Chairman and President/CEO are held by different individuals, wherein the Chairman of the Board is Dato’ Indera Syed Norulzaman bin Syed Kamarulzaman and the President/CEO of the Company is Mr. Loo Hooi Keat.</p> <p>The roles and responsibilities of the Chairman and President/CEO of the Company are segregated and clearly defined in the Board Charter of the Company.</p> <p>The Chairman is responsible for representing the Board to the shareholders of the Company while the President/CEO focuses on the business operation and day-to-day management of 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

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 is supported by two (2) suitably qualified and competent external Company Secretaries as follows:-</p> <p>(1) Ms. Chua Siew Chuan, FCIS (2) Ms. Tan Loo Ee, ACIS</p> <p>Both of the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016.</p> <p>The brief profile of the Company Secretaries are as follows:-</p> <p><b>(1) Ms. Chua Siew Chuan, FCIS</b></p> <p>Ms. Chua has been elected as a Fellow Member of the MAICSA since 1997. She has more than 35 years of experience in handling corporate secretarial matters, with working knowledge of many industries and government services. She is the Past President of MAICSA and currently is the Chairman of the Technical &amp; Professional Practice Committee and the Deputy Chairman of the Membership Committee of MAICSA.</p> <p>Ms. Chua is a Chartered Secretary by profession. She is the Managing Director of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Ms. Chua is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.</p> <p>Ms. Chua has been appointed as a Company Secretary to the Company since 8 August 2008.</p>

**(2) Ms. Tan Loo Ee, ACIS**

Ms. Tan has been elected as an Associate member of the MAICSA since 2013. She has more than 9 years of experience in corporate secretarial practice, with working knowledge across a diverse range of industries, including banking, construction, property development, information technology, trading, manufacturing, oil and gas, shipping and logistics.

Ms. Tan is presently the Company Secretary of several public listed companies in Malaysia and a number of private limited companies and companies limited by guarantee.

Ms. Tan has been appointed as the Joint Company Secretary to the Company with effect from 7 April 2020.

For the FYE 2019, the Company Secretaries had attended relevant continuous professional development programmes as required by MAICSA for practicing company secretaries. Both the Company Secretaries possessed valid Practicing Certificates issued by MAICSA and the Companies Commission of Malaysia.

In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-

- (1) Statutory duties as required under the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Capital Markets and Services Act 2007;
- (2) Facilitating and attending meetings of the Board and Board Committees;
- (3) Ensuring that the meetings of the Board and Board Committees are properly convened and the proceedings are properly recorded;
- (4) Ensuring timely communication of the Board level decisions to the Management for further action;
- (5) Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;
- (6) Maintaining records for the purpose of meeting statutory obligations;
- (7) Facilitating the provision of information as may be requested by the Directors from time to time on a timely manner and ensuring adherence to Board policies and procedures;
- (8) Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as

	<p>well as to compile the results of the assessments for the Board and/or Board Committees' notation;</p> <p>(9) Assisting the Board with the preparation of announcements for release to Bursa Malaysia Securities; and</p> <p>(10) Rendering advice and support to the Board and Management.</p> <p>All Directors have access to the advice and services of the Company Secretaries who ensure that the Board receives appropriate and timely information for its decision-making, the Board's procedures are followed and that the statutory and regulatory requirements are met accordingly.</p>
<p><b>Explanation for departure</b></p>	<p>: -</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>: -</p>
<p><b>Timeframe</b></p>	<p>: -</p>

## 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>Notice of the Board meetings is issued and meeting materials are circulated to the Board members at least seven (7) days prior to Board meetings.</p> <p>The Board has direct access to the senior management officers on information relating to the Company's business and affairs in the discharge of their duties.</p> <p>The minutes were recorded by the Company Secretaries in attendance and circulated to all Directors for review. The minutes recorded the deliberations and decisions of the Board as well as Directors abstained from voting.</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 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 adopted a Board Charter which governs how the Board conducts its affairs. The Board Charter sets out the responsibilities, authorities, procedures, evaluations and structure of the Board and Board Committees as well as the relationship between the Board with its management and shareholders. The Board Charter also outlines specific functions reserved for the Board.</p> <p>The roles and responsibilities of the Board Committees which including ARMC, Nomination Committee, Remuneration Committee, EXCO and Executives' Share Option Scheme Committee ("<b>ESOS</b>") are set out in their respective Terms of Reference.</p> <p>The Board Charter entails the following:-</p> <ol style="list-style-type: none"><li>(1) Definition</li><li>(2) Introduction, Company's goals and objectives<ul style="list-style-type: none"><li>• Introduction</li><li>• Company's vision and mission</li></ul></li><li>(3) Board Governance process<ul style="list-style-type: none"><li>• Role of the Board</li><li>• Duties and responsibilities of the Board</li><li>• Conduct of the Board</li><li>• Board procedures</li><li>• Chairman of the Board</li><li>• Board composition</li><li>• Board Committees</li><li>• Board nomination and election process</li><li>• Board and member evaluations</li><li>• Other Board appointment</li><li>• Independent professional advice</li></ul></li></ol>

	<ul style="list-style-type: none"> <li>• Provision of business or professional services by Directors</li> <li>• Board Succession Planning</li> <li>• The Secretary</li> </ul> <p>(4) Stakeholders Management</p> <p>(5) Board-Management Relationship</p> <ul style="list-style-type: none"> <li>• Role of President/CEO</li> <li>• Accountability of President/CEO to Board</li> <li>• Management Limitations</li> <li>• Role of Chairman</li> </ul> <p>(6) Revision and updates</p> <p>The Board Charter will be reviewed by the Board as and when required.</p> <p>A copy of the Board Charter is available for reference on the Company's corporate website at <a href="http://www.pelikan.com">www.pelikan.com</a>.</p>
<p><b>Explanation for departure</b> :</p>	<p>-</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>-</p>
<p><b>Timeframe</b> :</p>	<p>-</p>

## 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>	:	<p>The Board established a Code of Conduct and Ethics ("<b>Code</b>") for the Board, Management and employees of the Company and the Group. The Board has also established the Code of Conduct and Ethics for their business partners.</p> <p>The core areas of conduct covered in the Code are conflict of interest, business conduct and employee conduct.</p> <p>Employees who knows of, or suspects, a violation of the Code, is encouraged to whistle blow or report the concerns through the Whistle Blowing Policy. No individual will be discriminated against or suffer any act of retaliation for reporting in good faith on violations or suspected violations of the Code.</p> <p>The Board will monitor the compliance with the Code and review the Code regularly to ensure that it continues to remain relevant and appropriate.</p> <p>A copy of the Code of Conduct and Ethics is available for reference on the Company's corporate website at <a href="http://www.pelikan.com">www.pelikan.com</a>.</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**

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>	:	Employee who knows of, or suspects, a violation of the Code, is encouraged to whistle blow or report the concerns through the Whistle Blowing Policy. No individual will be discriminated against or suffer any act of retaliation for reporting in good faith on violations or suspected violations of the Code.	
<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>	:	Departure														
<b>Explanation on application of the practice</b>	:	-														
<b>Explanation for departure</b>	:	<p>Following the changes in the Directors on 12 September 2019 and 30 September 2019, the Company had at least half of the Board comprised Independent Directors. As at 30 September 2019, the composition of the Board was as follows:-</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Designation</th> </tr> </thead> <tbody> <tr> <td>Dato' Indera Syed Norulzaman</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Loo Hooi Keat</td> <td>President/CEO</td> </tr> <tr> <td>Lim Chee Hoong</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Ahmad Al Farouk bin Ahmad Kamal</td> <td>Non-Independent Non-Executive Director</td> </tr> <tr> <td>Najuuwa binti Sabli</td> <td>Non-Independent Non-Executive Director</td> </tr> <tr> <td>Fong Wai Leong</td> <td>Independent Non-Executive Director</td> </tr> </tbody> </table> <p>Subsequent to the appointment of Kim Kenny as Non-Independent Non-Executive Director with effect from 7 October 2019 and as at 30 April 2020 being the latest practicable date, the Board has departed from this practice which the Board comprises a total of seven (7) Directors including three (3) Independent Non-Executive Directors, a President/CEO and three (3) Non-Independent Non-Executive Directors.</p>	Name	Designation	Dato' Indera Syed Norulzaman	Independent Non-Executive Director	Loo Hooi Keat	President/CEO	Lim Chee Hoong	Independent Non-Executive Director	Ahmad Al Farouk bin Ahmad Kamal	Non-Independent Non-Executive Director	Najuuwa binti Sabli	Non-Independent Non-Executive Director	Fong Wai Leong	Independent Non-Executive Director
Name	Designation															
Dato' Indera Syed Norulzaman	Independent Non-Executive Director															
Loo Hooi Keat	President/CEO															
Lim Chee Hoong	Independent Non-Executive Director															
Ahmad Al Farouk bin Ahmad Kamal	Non-Independent Non-Executive Director															
Najuuwa binti Sabli	Non-Independent Non-Executive Director															
Fong Wai Leong	Independent Non-Executive Director															
<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 4.2

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>	:	Not applicable – no independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	There are no Independent Directors whose tenure exceeds a cumulative term of nine (9) years in the Company.	
<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 4.3 - 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>The Nomination Committee is tasked to develop, maintain and review the criteria for the appointment of new Directors and independence of Directors and review the succession plans of the Board and Senior Management of the Company.</p> <p>The Nomination Committee will ensure that appropriate board member and senior management with appropriate skillset, experience, age, cultural background and gender are able to support the Board in disseminating its duties and the Company in achieving its goals.</p> <p>The criteria used in assessment of new Directors before appointment to the Board includes but not limited to the following:-</p> <ul style="list-style-type: none"> <li>• Skill and competency</li> <li>• Knowledge and expertise</li> <li>• Regional and industry experience</li> <li>• Academic and professional qualifications</li> <li>• Background, race, gender, age and nationality</li> <li>• High personal and professional ethics, integrity and values</li> <li>• Ability to devote the required amount of time to carry out the duties and responsibilities of Board membership</li> <li>• Financial capability and business stability to devote significant time, energy and resources</li> <li>• Other directorship</li> </ul>
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	-
<b>Explanation for departure</b>	:	The Group operates a non-discriminatory employment policy and provides equal opportunity in all aspects of employment including gender diversity.  Following the resignation of Datin Normimy Mohamed Noor as Non-Independent Non-Executive Director of the Company with effect from 31 January 2019, the Board had on 12 September 2019, appointed Najuuwa binti Sabli as a Non-Independent Non-Executive Director, and she also serves as a member of the Nomination Committee with effect from 22 November 2019.
	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Nomination Committee will incorporate gender diversity as one of the criteria to be considered during selection process on potential candidate(s) for Board's membership.
<b>Timeframe</b>	:	Upon any Board's vacancy.

**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>	:	<p>The Board vide the Nomination Committee receives nomination on new appointments from various sources which includes recommendation from the Board, major shareholders and also independent sources to identify suitably qualified candidates.</p> <p>The selection of new Board members takes into account of the qualification, experience and willingness to contribute time and efforts towards the Company.</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 4.7

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>	<p>Subsequent to the resignation of the following Directors of the Company on 12 September 2019 and 30 September 2019, their chairmanship and membership in the Nomination Committee have ceased accordingly:-</p> <table border="1"> <thead> <tr> <th>Members</th> <th>Designation</th> <th>Date of Cessation</th> </tr> </thead> <tbody> <tr> <td>(1) Dato' Afifuddin bin Abdul Kadir</td> <td>Chairman</td> <td>30 September 2019</td> </tr> <tr> <td>(2) Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor</td> <td>Member</td> <td>30 September 2019</td> </tr> <tr> <td>(3) Dato' Lua Choon Hann</td> <td>Member</td> <td>12 September 2019</td> </tr> </tbody> </table> <p>In view of the vacancy in the Nomination Committee, the Board has approved the following appointments with effect from 22 November 2019:-</p> <table border="1"> <thead> <tr> <th>Members</th> <th>Designation</th> <th>Directorship</th> </tr> </thead> <tbody> <tr> <td>(1) Dato' Indera Syed Norulzaman bin Syed Kamarulzamn</td> <td>Chairman</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>(2) Lim Chee Hoong</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>(3) Najuuwa binti Sabli</td> <td>Member</td> <td>Non-Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The duties and responsibilities of the Chairman of the Nomination Committee are outlined in its Terms of Reference.</p> <p>A copy of the Terms of Reference of the Nomination Committee is available for reference on the Company's corporate website at <a href="http://www.pelikan.com">www.pelikan.com</a>.</p>	Members	Designation	Date of Cessation	(1) Dato' Afifuddin bin Abdul Kadir	Chairman	30 September 2019	(2) Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Member	30 September 2019	(3) Dato' Lua Choon Hann	Member	12 September 2019	Members	Designation	Directorship	(1) Dato' Indera Syed Norulzaman bin Syed Kamarulzamn	Chairman	Independent Non-Executive Director	(2) Lim Chee Hoong	Member	Independent Non-Executive Director	(3) Najuuwa binti Sabli	Member	Non-Independent Non-Executive Director
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<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 Nomination Committee had on an annual basis, conducted the following assessments in respect of the financial year ended 31 December 2019 (“<b>FYE 2019</b>”) and reported the results to the Board for notation:-</p> <p><b>1) Performance of individual Directors</b></p> <p>This assessment was conducted by way of self-assessment and the results were compiled by the Company Secretaries and tabled at the Nomination Committee Meeting for review.</p> <p>The performance of the individual Directors were assessed based on their personal commitment, understanding of the Company’s activities and governance of the Company’s operations.</p> <p>Based on the assessment conducted for the FYE 2019, the Nomination Committee is satisfied with the performance of the individual Directors.</p> <p><b>2) Effectiveness of the Board as a whole</b></p> <p>This assessment was conducted collectively by the Nomination Committee at its Meeting.</p> <p>The effectiveness of the Board as a whole was assessed based on the following criteria:-</p> <ul style="list-style-type: none"><li>(a) Compliance;</li><li>(b) Functioning of the Board;</li><li>(c) Financial and operational reporting; and</li><li>(d) Risk assessment.</li></ul>

	<p>Based on the assessment conducted for the FYE 2019, the Nomination Committee is satisfied with the performance of the Board as a whole.</p> <p><b>3) Effectiveness of the ARMC</b></p> <p>This assessment was conducted collectively by the Nomination Committee at its Meeting.</p> <p>The effectiveness of the ARMC was assessed based on the internal control and risk assessment, internal audit, external audit and other matters.</p> <p>Based on the assessment conducted for the FYE 2019, the Nomination Committee is satisfied with the performance of the ARMC.</p> <p><b>4) Effectiveness of the Remuneration Committee</b></p> <p>This assessment was conducted collectively by the Nomination Committee at its Meeting.</p> <p>Based on the assessment conducted for the FYE 2019, the Nomination Committee is satisfied with the performance of the Remuneration Committee.</p>
<p><b>Explanation for departure</b></p>	<p>: -</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>: -</p>
<p><b>Timeframe</b></p>	<p>: -</p>

## 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 Group operates in a competitive environment and it is essential that part of its strategy is to attract, motivate and retain the highest achievers who are able to deliver the business objectives. The level of remuneration and benefits that the Company offers is the key to supporting the objectives and maintaining our market position as an employer of choice.</p> <p>The Remuneration Committee assists the Board in setting out the competitive salaries and benefits in order to attract the right Executive Director(s) and Senior Management.</p> <p>The remuneration of Non-Executive Directors is based on the level of experience and responsibilities.</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>	:	<p>Subsequent to the resignation of the following Directors of the Company on 12 September 2019 and 30 September 2019, the chairmanship and membership in the Remuneration Committee have ceased accordingly:-</p> <table border="1"> <thead> <tr> <th>Members</th> <th>Designation</th> <th>Date of Cessation</th> </tr> </thead> <tbody> <tr> <td>(1) Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor</td> <td>Chairman</td> <td>30 September 2019</td> </tr> <tr> <td>(2) Dato' Afifuddin bin Abdul Kadir</td> <td>Member</td> <td>30 September 2019</td> </tr> <tr> <td>(3) Dato' Lua Choon Hann</td> <td>Member</td> <td>12 September 2019</td> </tr> </tbody> </table> <p>In view of the vacancy in the Remuneration Committee, the Board has approved the following appointments with effect from 22 November 2019:-</p> <table border="1"> <thead> <tr> <th>Members</th> <th>Designation</th> <th>Directorship</th> </tr> </thead> <tbody> <tr> <td>(1) Fong Wai Leong</td> <td>Chairman</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>(2) Dato' Indera Syed Norulzaman</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>(3) Lim Chee Hoong</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>(4) Ahmad Al Farouk bin Ahmad Kamal</td> <td>Member</td> <td>Non-Independent Non-Executive Director</td> </tr> <tr> <td>(5) Kim Kenny</td> <td>Member</td> <td>Non-Independent Non-Executive</td> </tr> </tbody> </table>	Members	Designation	Date of Cessation	(1) Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Chairman	30 September 2019	(2) Dato' Afifuddin bin Abdul Kadir	Member	30 September 2019	(3) Dato' Lua Choon Hann	Member	12 September 2019	Members	Designation	Directorship	(1) Fong Wai Leong	Chairman	Independent Non-Executive Director	(2) Dato' Indera Syed Norulzaman	Member	Independent Non-Executive Director	(3) Lim Chee Hoong	Member	Independent Non-Executive Director	(4) Ahmad Al Farouk bin Ahmad Kamal	Member	Non-Independent Non-Executive Director	(5) Kim Kenny	Member	Non-Independent Non-Executive
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			Director
	<p>The duties and responsibilities of the Remuneration Committee are outlined in its Terms of Reference. The Remuneration Committee assists the Board in setting out competitive salaries and benefits for all its board, senior management and employees, consistent with its business strategy and performance.</p> <p>The Remuneration Committee has its remuneration policy in place in its Terms of Reference. The Company aims to align the interest of its Executive Director as closely as possible with the interests of shareholders in promoting the Group's strategies.</p> <p>A copy of the Terms of Reference of the Remuneration Committee is available for reference on the Company's corporate website at <a href="http://www.pelikan.com">www.pelikan.com</a>.</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

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 details of the remuneration for Directors during the FYE 2019 are as follows:-						
	<b>Directors</b>	<b>Fees (RM)</b>	<b>Salaries (RM)</b>	<b>Allowances (RM)</b>	<b>Defined Contribution Plan (RM)</b>	<b>Benefit-in-kind (RM)</b>	<b>Total (RM)</b>
	<b>Executive Director</b>						
	Loo Hooi Keat	-	1,665,000	-	199,800	83,793	1,948,593
	<b>Subtotal</b>	<b>-</b>	<b>1,665,000</b>	<b>-</b>	<b>199,800</b>	<b>83,793</b>	<b>1,948,593</b>
	<b>Non-Executive Directors</b>						
	Dato' Indera Syed Norulzaman bin Syed Kamarulzaman (Appointed w.e.f. 12 September 2019)	24,500	-	750	-	-	25,250
	Lim Chee Hoong (Appointed w.e.f. 3 June 2019)	38,000	-	2,500	-	-	40,500
	Fong Wai Leong (Appointed w.e.f. 12 September 2019)	18,167	-	1,250	-	-	19,417
	Najuuwa binti Sabli (Appointed w.e.f. 12 September 2019)	18,167	-	750	-	-	18,917

	Ahmad Al Farouk bin Ahmad Kamal (Appointed w.e.f. 12 September 2019)	18,167	-	1,250	-	-	19,417
	Kim Kenny (Appointed w.e.f. 7 October 2019)	14,000	-	750	-	-	14,750
	Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor (Resigned w.e.f. 30 September 2019)	90,000	-	4,750	-	-	94,750
	Dato' Afifuddin bin Abdul Kadir (Resigned w.e.f. 30 September 2019)	45,000	-	7,250	-	-	52,250
	Dato' Lua Choon Hann (Resigned w.e.f. 12 September 2019)	49,000	-	6,250	-	-	55,250
	Datin Normimy binti Mohamed Noor (Resigned w.e.f. 31 January 2019)	5,000	-	-	-	-	5,000
	<b>Subtotal</b>	<b>320,001</b>	<b>-</b>	<b>25,500</b>	<b>-</b>	<b>-</b>	<b>345,501</b>
	<b>Total</b>	<b>320,001</b>	<b>1,665,000</b>	<b>25,500</b>	<b>199,800</b>	<b>83,793</b>	<b>2,294,094</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

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>	:	The top five (5) Senior Management includes one (1) President/CEO, of which his detailed remuneration had been disclosed under Practice 7.1 of this Report.  Whilst for the remaining Senior Management, the Company deems this information sensitive and affects the competitiveness of the Company in engaging its employees. Further thereto, the roles of Senior Management vary according to the scope and breadth as the Group is operating worldwide with different functions, market sizes and profitability.
	:	The disclosure of remuneration of senior management in total basis is disclosed in the Audited Financial Statements of the Company for the FYE 2019.
<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>	:	Following Dato' Lua Choon Hann's resignation as Independent Non-Executive Director on 12 September 2019, the chairmanship in the ARMC had ceased with immediate effect. Consequent thereto, Lim Chee Hoong, the Independent Non-Executive Director has been re-designated as Chairman of the ARMC with effect from 12 September 2019.  The Chairman of the ARMC 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>	:	The ARMC is not represented by any former key audit partner.	
<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 8.3

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 ARMC has its procedures which incorporated in its Terms of Reference, to assess the suitability and independence of the external auditors on an annual basis, prior to considering their audit fee and making their recommendation to the Board whether to seek shareholders' approval at the forthcoming annual general meeting for the re-appointment of external auditors for the ensuing year.</p> <p>Upon completion of its assessment for the FYE 2019, the ARMC was satisfied with Messrs. BDO PLT's technical competency i.e. effectiveness, suitability and independence during the financial year under review and recommended to the Board the re-appointment of Messrs. BDO PLT as external auditors for the financial year ending 31 December 2020. The Board has in turn, recommended the same for shareholders' approval at the forthcoming AGM of the Company.</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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<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 8.5

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 members of the ARMC have the relevant accounting or related experience and expertise in financial service industry to effectively discharge their duties.</p> <p>The Nomination Committee assessed the terms of office and performance of the ARMC in respect of the FYE 2019. The Nomination Committee concluded that the skills and competencies of the ARMC in respect of the FYE 2019 was satisfactory.</p> <p>The qualification and experience of the individual ARMC members are disclosed in the Board of Directors' Profile of the Company's Annual Report 2019.</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 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>	:	<p>The Board is ultimately responsible for the Group's overall internal control and risk management.</p> <p>The Management has implemented an Enterprise Risk Management process wherein procedures, methodologies, evaluation and documentation of risks and internal controls are applied within the Group.</p> <p>The results of risks identified are reported to the ARMC and thereafter to the Board for discussion and to ensure prompt action and mitigations are undertaken by 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

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>	:	<p>The Statement on Risk Management and Internal Control is disclosed in the Company's Annual Report 2019, which prescribes the risk management framework and internal control system undertaken by the Company.</p> <p>The Enterprise Risk Management report is presented to the ARMC on a yearly basis. Periodic updates on the risk assessment are done when necessary, including identifying changes to the risk or emerging risks and new action points to be reported to the ARMC and the Board</p> <p>The internal audit reports to the ARMC on a periodic basis.</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 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>	:	Not Adopted
<b>Explanation on adoption of the practice</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 10.1

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 currently outsourced to an independent professional firm, i.e. IA Essential Sdn. Bhd. (“<b>IA Essential</b>”) which has the experience and adequate staff to perform the Internal Audit Plan and risk management reporting and monitoring to the ARMC.</p> <p>The ARMC had evaluated the performance of the outsourced Internal Auditors and reviewed the adequacy of the scope, competency and resources of internal audit function for the FYE 2019.</p> <p>The ARMC and Board are satisfied with the performance of the outsourced internal auditors in respect of FYE 2019, in relation to the provision of outsourced internal audit services to the Company and the Group.</p> <p>Further details of the internal audit function have been disclosed in the <i>Statement of Internal Audit Function</i> of Annual Report 2019.</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 Group Internal Audit and Risk management (“IARM”) department is currently outsourced to IA Essential.</p> <p>The Group IARM Department is headed by a Director who is assisted by a manager and supported by an audit executive. The Director-in charge is a qualified accountant while the rest of the team members are accounting graduates.</p> <p>IA Essential does not have any relationships or conflict of interest situations with the Directors’ and the Company.</p> <p>It is the responsibility of the Group IARM Department to serve the Group in the manner that is consistent with the “International Standards for the Professional Practice of Internal Auditing” and the professional standards of conduct such as “Code of Ethics” of the Institute of Internal Auditors.</p> <p>The Group IARM Department carries out its annual risk management and internal control review of the Group companies and therefrom device an audit plan which is presented to the ARMC. The Audit Plan is implemented once approved and the Group IARM Department reports to the ARMC on a periodic basis.</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 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 Company uses its annual general meeting ("<b>AGM</b>") as one of the avenues to communicate with shareholders. During the AGM, the Company makes a presentation of the financial and operations of the Group and takes on any questions the shareholders may have.</p> <p>The Company has a website where it communicates to stakeholders on its products, business and policies on governance, environment and social responsibility.</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 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>	:	Departure	
<b>Explanation on application of the practice</b>	:	-	
<b>Explanation for departure</b>	:	The Company is not classified as Large Company and does not adopt integrated reporting.	
		The Company includes relevant information in its Sustainability Reporting.	
<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 Notice of the AGM was issued to the shareholders and the persons entitled to receive such notice 28 days before the date of AGM as a good practice of corporate governance. In view thereof, the shareholders had been given sufficient time and notice to consider the resolutions that would be discussed and decided at the AGM. The Notice clearly identified the directors' seeking re-election, the auditors seeking re-appointment and the payment of directors' fees.	
<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>	:	All Directors of the Company and the senior management were present at the 37 <sup>th</sup> AGM to respond the questions raised by the shareholders of the Company. The 37 <sup>th</sup> AGM of the Company was chaired by the then Chairman, Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor who had resigned from the Board on 30 September 2019.  The Chairman provided sufficient time for the presents to ask questions for each agenda in the Notice of the 37 <sup>th</sup> AGM before putting the resolution to vote.
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	-
<b>Explanation for departure</b>	:	<p><b><u>37<sup>th</sup> AGM of the Company held on 23 May 2019</u></b></p> <p>Upon review, the Board noted that prior to implementing the voting in absentia and remote shareholders' participation at general meeting(s), there are several factors/conditions that need to be fulfilled prior to making such consideration:-</p> <ul style="list-style-type: none"><li>• Availability of technology and infrastructure;</li><li>• Affordability of the technology and infrastructure;</li><li>• Sufficient number of shareholders residing/locating at particular remote location(s); and</li><li>• Age profile of the shareholders.</li></ul> <p>As an alternative practice, for those shareholders who are not able to make the journey to the AGM venue, they are allowed to appoint any person(s) or Chairman of the AGM as their proxies to attend, participate, speak and vote in his stead at the AGM.</p> <p>The 37<sup>th</sup> AGM of the Company was held fully physical at The Saujana Hotel Kuala Lumpur at Jalan Lapangan Terbang SAAS, Selangor which was easily accessible and reachable by the shareholders.</p> <p><b><u>38<sup>th</sup> AGM of the Company to be held on 24 June 2020</u></b></p> <p>The 38<sup>th</sup> AGM of the Company will be conducted fully virtual, the details as set out in the Notice of the 38<sup>th</sup> AGM of the Company and the Administrative Details. The shareholders will not be allowed to attend the 38<sup>th</sup> AGM in person at the broadcast venue on the day of the meeting.</p> <p>The fully virtual AGM will enable the remote shareholders' participation and online remote voting pursuant to Sections 327(1) and (2) of the Companies Act 2016 and Clause 85 of the Constitution of the Company.</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>	:	-	

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

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

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