

CORPORATE GOVERNANCE REPORT

STOCK CODE : 8966
COMPANY NAME : Prolexus Berhad
FINANCIAL YEAR : July 31, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors (“the Board”) of Prolexus Berhad (“the Company”) is primarily responsible for the stewardship of the Prolexus Berhad Group’s (“the Group”) business affairs. The Board seeks to discharge its responsibilities by reviewing, discussing and adopting the overall business plan that support long term value creation and overseeing the conduct of business affairs and management of the Group.</p> <p>The Board delegates certain responsibilities to the Board Committees each with predefined terms of reference and responsibilities which are disclosed in the Board Charter. The Chairman of the respective Board Committees will report the outcome of the Committee meetings to the Board and relevant decisions are incorporated in the minutes of the Board meetings.</p> <p>The Board also recognizes the enduring importance of acting ethically at all times. In ensuring that the business practices meet the highest standards of integrity in line with the values of the Company, the Board had formalised the Code of Conduct. A copy of the Code of Conduct is available at the Company’s website (www.prolexus.com.my).</p> <p>The Board, assisted by the Risk Management Committee oversees the adequacy and effectiveness of the Group’s risk management. The Board sets the strategic direction for risk roles, risk identifications, risk profiling and risk reporting structures in the Risk Management Framework. Consequently, the Board endorses the risk management report summarizing the risk management activities and status of each action plan presented by the Risk Management Committee.</p>

	<p>The Board also plays an important role in overseeing the development and implementation of investor relations programmes and shareholders' communication policies. In this respect, the Board has established a Corporate Disclosure Policy. The Board also appoints the spokespersons for communication with the shareholders, stakeholders and the public generally.</p> <p>This policy regulates the review and release of information to shareholders, stakeholders and the public at large, facilitating timely and accurate disclosure of the Group's affairs, which includes internal and external corporate communications and investor relations activities. A copy of the Company's Corporate Disclosure Policy is available at the Company's website.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is led by Ahmad Mustapha Ghazali prior to his retirement on 16 December 2020.</p> <p>Subsequently, the Board is led by Khadmudin Bin Mohamed Rafik since 16 December 2020.</p> <p>The Chairman leads the Board for the implementation of the Board's decision into executive actions while promoting high level of corporate governance and transparency. The Chairman ensures orderly conduct and proceedings and act as a facilitator at Board meetings to ensure that no director, whether executive or non-executive dominates discussions and that, appropriate discussions take place.</p> <p>The role of the Chairman is stated in the Group's Board Charter which is available at the Company's website.</p>	
Explanation for departure	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Board is held by Ahmad Mustapha Ghazali prior to his retirement on 16 December 2020. Subsequently, the post of Chairman is held by Khadmudin Bin Mohamed Rafik, whilst the Managing Director is Lau Mong Ying.</p> <p>The division of roles between the Group's Chairman and Managing Director is clearly defined in the Board Charter to ensure there is a balance of roles, responsibilities and accountability.</p> <p>A copy of the Board Charter is available at the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries of Prolexus are members of professional bodies and qualified to act as company secretaries.</p> <p>The Company Secretaries are responsible for proper maintenance of secretarial records, preparation of resolutions and other secretarial functions of the Company. The Company Secretaries attend Board, Board Committees and General meetings of the Company and records the minutes of the meetings.</p> <p>In addition, the Company Secretaries regularly updated the Board on the changes of the listing requirements upon receiving the circulars from Bursa Securities, which are relevant to the Company and advises on corporate disclosures and compliances.</p> <p>During the financial year ended 31 July 2021 ("FY2021"), the Company Secretaries had attended various seminars and conferences to keep themselves abreast with the regulatory changes and other areas of sustainability, governance, finance and accounting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Board members are furnished with the agenda and board papers at least seven (7) days prior to Board meetings to ensure directors have sufficient time to peruse through the board papers.</p> <p>The board papers contain comprehensive and balanced financial and non-financial information covering strategic and operational issues and other issues as identified by the Board.</p> <p>The Company Secretaries are responsible in ensuring the meeting procedures are followed and the decisions of the Board are properly documented in the minutes including matters where directors abstained from voting or deliberation. The minutes of proceedings had been circulated on a timely manner.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter serves as a primary reference for all directors of their duties and responsibilities as Board members and to uphold the core values of integrity with due regard to their fiduciary duties and responsibilities.</p> <p>The Board Charter of the Company clearly defines amongst others, the following:</p> <ul style="list-style-type: none"> - Responsibilities of the Board (including Board Committees, individual Directors and Management) - Ethics and compliance - Key matters specifically reserved for the Board - Composition and balance - Remunerations of the Board - Board assessment - Board meetings - Conflict of interest - Dealings in securities - Company Secretaries <p>The Board Charter is reviewed by the Board annually and as and when necessary to ensure its relevance and compliance.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board recognizes the enduring importance of acting ethically at all times and in ensuring that our business practices meet the highest standards of integrity in line with the values of our Company. Our commitment to integrity is necessary for protecting and supporting our employees, enhancing the credibility of our business practices and safeguarding our reputation.</p> <p>The Board had formalised the Code of Conduct which applies to all directors and employees of the Group. A copy of the Code of Conduct is available at the Company's website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The Whistleblowing Policy of the Company provides an independent channel for employees and stakeholders to raise matters of improprieties that exist in the workplace or the conduct of business without fear of reprisal.</p> <p>The employees or stakeholders could raise their concerns directly to the Audit Committee Chairman and he shall inform the Audit Committee to carry out investigations where necessary.</p> <p>The Board reviews the Whistleblowing Policy from time to time to ensure regulatory compliance and to accommodate changes in the business and operational environment.</p> <p>A copy of the Whistleblowing Policy is available at the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	Prolexus Board has four (4) independent directors which represents more than 50% of its Board members. The independent element provides for objectivity in decision making process of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Two Tier Voting
Explanation on application of the practice	:	<p>Khadmudin Bin Mohamed Rafik who had served the Board as an independent director of the Company for a cumulative term of more than nine (9) years had offered himself for re-appointment and was re-appointed as an independent director of the Company at the last annual general meeting ("AGM") held on 16 December 2020.</p> <p>The Nominating Committee and the Board upon their assessment carried out are of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service. Their long service should not affect their independence as they are independent-minded and had provided the necessary check and balances in the best interest of the shareholders.</p> <p>Accordingly, Khadmudin Bin Mohamed Rafik will be seeking shareholders' approval on his re-appointment as an independent director at the forthcoming AGM. In view of his tenure as an independent director is above twelve (12) years, the Board would seek shareholders' approval through a two-tier voting process at the forthcoming AGM of the Company.</p> <p>Key justifications for the recommendation to retain Khadmudin Bin Mohamed Rafik as an independent director include the following:</p> <ul style="list-style-type: none">• He has fulfilled the criteria of independent director as stated in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), therefore he is able to provide independent and objective judgement to the Board.• His vast experience and knowledge in relevant industries enables him to contribute his expertise to the Board's deliberations and decision making which he has been doing so and benefited the Company.

	<ul style="list-style-type: none"> • He has gained valuable insights into the Company's business operations over his tenure thus this is an added advantage for him to actively participate and contribute positively on behalf of the minority shareholders in the Board's discussions. • Over his tenure as an independent director, he has exercised due care and has carried out his duties in the best interest of the Company. 	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nominating Committee and the Board take into account the current diversity of the Board in seeking potential candidates. The assessment of a new candidate is based on amongst others his/ her background, education, skills, experiences, integrity and independence.</p> <p>The appointments of key senior management are also based on objective criteria and merit.</p> <p>An overview of the boardroom diversity in gender, age and board experience is set out in the Corporate Governance Overview Statement section of the Annual Report.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board acknowledges gender diversity in the Boardroom as essential combination to strengthen the composition of the Board.</p> <p>Although there is no formal policy with regards to gender diversity, the Board will take into account to increase women representation on the Board in its future selection process should the need arises.</p> <p>Presently, W Norma Binti W Daud is the only female representative on the Board.</p>	
		<p>As an alternative approach, the Group adheres to the practice of non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the Group. The assessment of the suitability of a director is based on his/her background, education, skills, experiences, integrity, independency and other qualities in meeting the needs of the Group.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	<p>In identifying candidates for appointment of directors, the Nominating Committee has set out its criteria in Practice 4.4.</p> <p>The Nominating Committee is also empowered to seek candidates beyond recommendations from existing board members, management or major shareholders of the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee is chaired by an Independent Director, W Norma Binti W Daud.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>Assessment of the Board and Board Committees are carried out annually by way of questionnaires with due regard for diversity in skills, cultural background and gender, areas of responsibilities and composition, meeting process and others. The assessment of individual directors is also carried annually through a set of self-assessment questionnaires comprising the ability to ask right questions, commitment to serve the company, independence and objectivity and so forth. The responses of the questionnaires are compiled and presented to the Nominating Committee for evaluation and consideration. The Nominating Committee will then make an evaluation and table its recommendations to the Board. The director's concern in the recommendation shall abstain from deliberating on his/her own assessment.</p> <p>The Nominating Committee had carried out its duties to perform the annual assessment of the Board, Board Committees and each individual director for FY2021. The Nominating Committee upon its assessment carried out, is satisfied that the current size and composition of the Board, Board Committees and its directors are adequate and appropriate with relevant mix of skills, age, expertise, experiences and ethnicity.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has established a formal and transparent procedure in approving remuneration of directors and senior management to retain and attract talent to drive the Company. The remuneration policy is detailed in the Board Charter which is published at the Company's website.</p> <p>The Remuneration Committee reviews and recommends to the Board the remuneration package of directors and senior management. The remuneration package of Executive Directors and senior management is structured to as to link rewards to corporate and individual performance. The remuneration package of non-executive directors is structured to reflect the experience and level of responsibilities undertaken.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company’s website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee assists the Board on matters concerning remuneration of directors and senior management of the Company. Key functions of the Remuneration Committee include:</p> <ul style="list-style-type: none"> • To recommend to the Board, the remuneration package of executive directors in all its form, drawing from outside advice, if necessary • To recommend to the Board, the remuneration of non-executive directors which shall be a decision of the Board as a whole, save and except where the remuneration is in respect of any member or members of the Remuneration Committee. The interested directors shall abstain themselves from deliberations or decisions on matters in which they have direct and/or indirect interests; and • To recommend to the Board, the remuneration package of senior management. <p>The terms of reference of the Remuneration Committee is disclosed at the Company’s website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure of the directors' remuneration on a named basis for FY2021 is set out in the Corporate Governance Overview Statement section of the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Company has established policies and procedures in place to ensure that the remuneration package of key management reflects their individual performance and contributions to the Group.</p> <p>The Board is of the view that the disclosure of the remunerations received by the senior management on a named basis is not in the best interests of the Group given the confidential nature of the remuneration and will give rise to recruitment and talent retention issues.</p> <p>As an alternative approach, the Board is of the view to disclose the aggregate remuneration of the top five senior management which is RM1.9 million for the financial year ended 31 July 2021.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee and the Chairman of the Board are held by different persons. The Chairman of the Audit Committee is Chin Chew Mun, while the Chairman of the Board is Khadmudin Bin Mohamed Rafik.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>For FY2021, none of the members of the Board are former key audit partner of the Group.</p> <p>The Audit Committee requires a former partner of the external audit firm to observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee annually assess and evaluate the suitability, objectivity and independence of the external auditors taking into consideration the competence, audit quality, resource capacity, nature, extent and the fees of non-audit services and so forth.</p> <p>The existing auditors, Grant Thornton Malaysia PLT had confirmed to the Audit Committee that they are, and have been independent throughout the conduct of their audit engagement for FY2021 in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The Audit Committee upon its assessment had recommended to the Board for consideration the re-appointment of the external auditors at the forthcoming AGM.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>All members of the Audit Committee possess the necessary skills and knowledge and are financially literate to discharge their duties.</p> <p>The Nominating Committee had assessed the term of office and performance of the Audit Committee and its members for FY2021 in accordance with Paragraph 15.20 of the MMLR of Bursa Securities by way of a set of comprehensive questionnaires and was satisfied therewith.</p> <p>The Audit Committee Chairman is a member of Chartered Accountants Australia and New Zealand, Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia. He holds a Bachelor of Commerce degree from the University of Auckland, New Zealand. The remaining members are also financially literate and possess relevant qualifications and industry experience to contribute to the committee's discussions and deliberations.</p> <p>In FY2021, the Chairman of the Audit Committee and its members had carried out their duties in accordance with the terms of reference and had devoted sufficient time and commitment in discharging their duties including undertaking continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board affirms its overall responsibilities for the Group's risk system of internal control and risk management. The Board through the Risk Management Committee reviews the adequacy of the Group's risk management framework to ensure risk management and internal controls are in place.</p> <p>The Company's Risk Management Committee ("RMC") was chaired by Ahmad Mustapha Ghazali prior to his retirement on 16 December 2020. Subsequently the RMC is chaired by Boo Chin Liong who is tasked to undertake the following functions:</p> <ul style="list-style-type: none">• Identify, assess, manage and monitor key business risks• Determine the Group's risk appetite and tolerance• Promote an effective risk awareness culture where risk management is an integral aspect of the Group's management systems• Identify emerging risks or changes in risks and taking appropriate action promptly
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Statement on Risk Management and Internal Control in the annual report discloses features of the Company's risk management and internal control framework, and the adequacy and effectiveness of this framework.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	The RMC comprise of four (4) members, majority of whom are Independent Non-Executive 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the importance of internal audit function and has engaged the services of independent internal audit consulting firm who reports directly to the Audit Committee to provide much of the assurances it requires regarding the effectiveness as well as the adequacy and integrity of the Group’s systems of internal control.</p> <p>The Audit Committee reviews and approves the internal audit plan for the financial year to ensure adequacy of scope and coverage of the auditable areas and the resources are sufficient and competent to enable the internal audit to discharge and carry out its functions effectively.</p> <p>The Audit Committee will also review and deliberate on the audit reports and follow-up reports to ensure the management has implemented action plans to address outstanding audit issues and to ensure risks and control lapses have been addressed.</p> <p>The Audit Committee will then report the internal audit findings to the Board, highlighting issues, if any, that required management’s actions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>For FY2021, the Group’s internal audit function was outsourced to an independent internal audit consulting firm, Kloo Point Risk Management Services Sdn Bhd. The internal audit team is headed by Khor Ben Jin. He is a Fellow of the Association of Chartered Certified Accountants, UK, a Certified Internal Auditor, USA, as well as a member of the Malaysian Institute of Accountants.</p> <p>The internal audit reviews were carried out in accordance with the International Professional Practices Framework set by the Institute of Internal Auditors (“IIA”) by two (2) internal audit executives and one (1) manager who are free from any relationships and conflict of interests which could affect their objectivity and independence.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's Corporate Disclosure Policy outlines the Board's commitment to ensure that shareholders, stakeholders and the general public have timely access to information while protecting the Company's interests. The Corporate Disclosure Policy is published at the Company's website.</p> <p>During FY2021, the Company regularly updated its website to ensure shareholders and stakeholders are able to access relevant and latest information of the Group. Shareholders and stakeholders are also able to communicate their enquiries through the email provided at the Company's website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:	The Group is not a Large Company as defined by the Malaysian Code on Corporate Governance.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board had adopted Practice 12.1 to issue the notice of annual general meeting (AGM) to shareholders at least 28 days prior to the meeting.</p> <p>The additional time given will allow shareholders to make necessary arrangements to attend and participate in person or through proxies or corporate representatives and also to consider the proposed resolutions before exercising their voting rights at the meeting.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board had adopted the practice that all its members are required to attend the general meeting of the Company and to respond to shareholders' enquiries, if any.</p> <p>All the directors and the auditors were present at the last AGM of the Company held on 16 December 2020.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	The last AGM of the Company was conducted entirely through live streaming from the Broadcast Venue at the Conference Room of Honsin Apparel Sdn. Bhd., 531 Batu 2½, Jalan Kluang, 83000 Batu Pahat, Johor and online remote voting using the Remote Participation and Voting Facilities (“RPV”) provided via Vote2U.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**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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