

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7080
COMPANY NAME : PERMAJU INDUSTRIES BERHAD
FINANCIAL YEAR : June 30, 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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board sets the strategic direction and vision of the Company. The Board takes full responsibility in leading, governing, guiding and monitoring the entire performance of the Company and enforces standards of accountability, all with a view to enabling Management to execute its responsibilities effectively and efficiently.</p> <p>The Board is the ultimate decision-making body of the Company, with the exception of matters requiring shareholders' approval. During the financial period ended 30 June 2019 and until the date of the CG statement, Board Meetings were held on a quarterly basis and additional Board Meetings in order for the Board to discharge its responsibilities and meet the goals of the Company.</p> <p>The Board assumes the following principal responsibilities in discharging its fiduciary and leadership functions:</p> <ul style="list-style-type: none">(i) Reviewing the Group's quarterly financial performance against the budgeted figures;(ii) Establishment of a risk management committee, its terms of reference, its governance operating charter and risk management and compliance charter;(iii) Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;(iv) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;(v) Annual Assessment of the Board, Board Committees and individual Directors; and(vi) Reviewing and adopting a strategic plan for the Group. <p>Further the Board also reviewed the Nomination Committee's assessment of the Board and Board Committees.</p> <p>The role of the Board is stipulated in the Board Charter which is available on the Company's website at www.permaju.com.my.</p>

	<p>The Board delegates specific responsibilities to the following Board Committees:</p> <ul style="list-style-type: none"> i. Audit and Risk Management Committee (“ARMC”) ii. Nomination Committee (“NC”); and iii. Remuneration Committee (“RC”). <p>The said Committees operate within clearly defined roles and responsibilities as set out in the terms of reference of each of the Committees. The Board Committees report to the Board on their deliberations, findings and recommendations.</p>	
<p>Explanation for departure</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>Measure</p>		
<p>Timeframe</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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by an Independent Non-Executive Chairman, who helms by providing leadership and guidance to the Board in meeting corporate goals and manages the processes in ensuring the Board discharges of its duties. He encourages a healthy debate on issues raised at Board Meetings, and gives opportunity to Directors who wish to speak on motions, either for or against them. He also ensures a smooth, open and constructive dialogue between the Board and the Company's shareholders.</p> <p>The Group has documented clear policies for identifying and separating the functions and responsibilities of the Chairman, Board and management in ensuring the smooth running of the Group's business and operations. These are enshrined in the Board Charter which is made available in the Company's website www.permaju.com.my</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 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman of the Company is Mr Jean-Michel Fink. The Executive Directors are Ms Chai Woon Yun and Mr Teh Foo Hock.</p> <p>The responsibility of the Chairman and Executive Directors are clearly defined in the Board Charter to ensure accountability and clear division of responsibilities.</p> <p>This to ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.</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 is supported by two (2) Company Secretaries who are qualified to hold the position under Section 235(2)(a) of the Companies Act 2016. The Directors have unlimited direct access to the advice and services of the Company Secretary as well as access to all information within the Company and Group whether as a full board or in their individual capacity.</p> <p>The roles and responsibilities of the Company Secretaries amongst others are as follows:</p> <ol style="list-style-type: none">i. attend and ensure that all meetings are properly convened and ensure that the deliberations at the meetings which include pertinent issues, substance of inquiries and responses, suggestions and proposals are duly captured, recorded and minuted and the resolutions passed are recorded properly and accurately and kept in the statutory books at the registered office of the Company. Matters that required the necessary actions are communicated to the relevant Management personnel. Also responsible for:<ul style="list-style-type: none">• facilitating Directors' training and development;• monitoring corporate governance developments and advising the Board on all corporate governance obligations and development in best practices;• managing processes for shareholders' meeting; and• communicating with shareholders as appropriate.ii. update and advise the Board on Board procedures and ensure that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and all matters associated with the maintenance of the Board or otherwise required for its efficient operation.iii. ensure proper upkeep of statutory registers and records of the Company and Group.iv. provides support to the Chairman to ensure the effective functioning of the Board and assist the Chairman in preparation of conduct of meetings.v. act as Secretary for all Board Committee Meetings.vi. advise and remind the Board and senior management on compliance of statutory and regulatory requirements; and

	<p>vii. update and brief the Board on changes and/or new statutory and regulatory requirements.</p> <p>In order to discharge the Company Secretary's role effectively, the Company Secretaries have been continuously attending the necessary training programmes and conferences so as to keep themselves abreast with the latest developments in corporate governance realm and changes in regulatory requirements that are relevant to their profession and enabling them to provide the necessary advisory role to the Board.</p>	
<p>Explanation for departure</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>Measure</p>		
<p>Timeframe</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.

Application	:	Applied
Explanation on application of the practice	:	<p>Prior to the Board Meetings, the Directors will be provided with the relevant agenda and Board papers one week giving sufficient notice to the Board to enable them to have an overview of matters to be discussed or reviewed at the meetings and to seek further clarifications, if any. As for Committee Meetings, the Board committee members will be provided with the relevant agenda and Committee meeting papers as per the terms of reference of the respective Board Committees.</p> <p>The Board Papers includes, among others, the minutes of preceding meetings of the Board and Committees, summary of dealings in shares by the Directors or affected persons and Directors' circular resolutions, reports on the Group's financial statements, operations and any relevant corporate developments and/or proposals.</p> <p>During intervals between the quarterly Board Meetings, additional or special Board Meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration. Reasonable notice for such meetings shall be sufficient.</p> <p>All Directors also ensure that the minutes of Board Meetings reflect the deliberations and decisions of the Board including whether any Directors had abstained from voting/deliberating on a particular matter. The minutes of the meeting will be circulated to all Directors and tabled at next meeting for confirmation. The minutes of the meetings are duly signed by the Chairman and properly kept at the Registered Office.</p> <p>In the absence of any forthcoming Board Meetings, any matters requiring the sanction of the Board may be sought by way of Directors' circular resolutions. All circular resolutions approved by the Board are tabled for notation at the next Board 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	:		
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Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Board Charter was last received on 24 February 2017 and shall be updated when the need arises to ensure that dynamic needs of the Group are consistently met. The roles, responsibilities and functions of the Board which are separated from that of the management are clearly defined in the Board Charter. It also states that the Board may delegate certain matters to a Committee of the Board specifically appointed for the relevant purpose. The Board Charter is published on the Company's website.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has put in place a Directors’ Code of Conduct and Ethics for the Directors (“the Code”) which sets out the standards of conduct expected from Directors to advocate good corporate behaviour in a professional, honest and ethical manner. The Code is incorporated in the Board Charter.</p> <p>The Company adopts the Code of Conduct and Ethics which is embedded in the Human Resources Handbook (“the Handbook”). All employees have access to Employee Handbook at all times. The Handbook covers the general employment terms and conditions, compensation and benefits, proprietary information, conflict of interest, indulging in private businesses and sexual harassment. Through the Code and the Handbook, the Board sets the tone for proper ethical behaviour expected of the Board members and the employees.</p> <p>The Board has established a whistleblowing policy in light of the Whistle-blower Protection Act which came into effect in 2010 previously.</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 Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.</p> <p>The main objectives of the policy are:</p> <ul style="list-style-type: none"> (i) Be committed to the Company’s business ethics of Honesty, Integrity and Transparency; (ii) To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and (iii) To uphold the moral duty being a Company by protecting the interest of all its stakeholders. <p>The details of the Whistle-blowing Policy are available for reference at the Company’s website at www.permaju.com.my</p>
Explanation for departure	:	<p>Please provide an explanation for the departure.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board currently comprises five (5) Directors comprising one Independent Non-Executive Chairman, two (2) Executive Directors and three (3) Independent Non-Executive Directors.</p> <p>The composition of the Board complies with Paragraph 15.02 of the Listing Requirements.</p> <p>The Board considers that the current size of the Board adequate and facilitates effective decision-making. The current Board composition are persons of high calibre, experienced and are professionals in their respective fields. Together, this bring a wide range of mix of industry specific knowledge, broad based business and commercial experience that are vital to the Board's successful stewardship of the Group.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of boardroom diversity and values the benefits that diversity can bring to its board of directors. The Board also recognises that having a range of different skills, backgrounds, experience and diversity is essential to ensure a broad range of viewpoints to facilitate optimal decision making and effective governance.</p> <p>The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria of a Director is based on an effective blend of competencies, skills, extensive experience and knowledge so as to strengthen the Board.</p> <p>The Nomination Committee (“NC”) has the responsibility for identifying, assessing and recommending the right candidates to the Board as well as reviewing and assessing the composition and performance of the Board. In making its recommendations, the NC will consider, among others, the following selection criteria:-</p> <ul style="list-style-type: none">(a) Specific knowledge, skills and relevant working experience (capability);(b) Training and qualifications (competence);(c) Time commitment of the candidate;(d) Independence and any conflicts of interest;(e) External directorship of the candidate;(f) Probity, integrity and reputation; and(g) Other considerations include age, cultural background and gender. <p>When identifying suitable candidates for appointment or assessing Board composition, the NC will consider candidates on merit against objective criteria and with due regard on the benefits of diversity on the Board and the needs of the Board in order to maintain an optimum mix of skills, knowledge and experience of the Board members.</p> <p>The appointment of Senior Management will be delegated to the Executive Directors in consultation with the and they will focus on their working experience, skills, competencies, integrity and commitment in the assessment of any potential candidate for recruitment as Senior Management personnel before recommending them to the Chairman or the Executive Directors of the Company for approval and recruitment.</p>
Explanation for departure	:	

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

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>Whilst acknowledging the recommendation of the MCCG 2017 on gender diversity, the Board through the term of reference of Nomination Committees had complied with Paragraph 15.08A(3)(a) of the Main Market Listing Requirement to have a policy on board composition having regard to the mix of skills and independence save and except for gender diversity policy. The Board is of the collective opinion that the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Nomination Committee and the Board will consider gender diversity as part of its future selection process and will look into increasing female board representation going forward.</p> <p>The Board has always placed gender diversity as an agenda in strengthening the performance of its Board and Board Committees. The Board is of the view that while it is important to promote gender diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board, should remain a priority so as not to compromise on qualification, experience and capabilities.</p> <p>Nevertheless, the Board is supportive of gender diversity on the Board and in senior management team and will consider to take measures in setting gender diversity of the board composition in the future.</p> <p>Presently, our Board members comprise of one (1) female director. In line with the country's aspirational target of 30% representation of women on boards, the Board may consider appointing more females onto the Board in future to bring about a more diverse perspective.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.

Timeframe	:	Choose an item.	
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Intended Outcome

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

Practice 4.6

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board and the Nomination Committee comprise a majority of independent directors and they are all professionals in their respective fields. As such, they are trusted to be able to select and recommend suitably qualified candidates from among their respective networks for appointments to the Board.	
		Unless there are no qualified candidates from among the Board members' respective networks for appointment to the Board, the Company shall utilize independent sources.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by an Independent Non-Executive Director, Mark Chew Shin Yong.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial period under review, the Nomination Committee has assessed the performances of all the Directors due for re-election and re-appointment having regard to the individual's experience, contributions and performance and has made recommendation to the Board for their re-election and re-appointment to be tabled for shareholders' approval at the forthcoming Annual General Meeting. The Board has endorsed the Nomination Committee's recommendations.</p> <p>The Nomination Committee also reviewed annually, the effectiveness of the Board and Board Committees as well as the performance of individual directors. The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. These assessments and comments were discussed at the Nomination Committee meeting which were then reported by the Nomination Committee Chairman to the Board at the Board Meeting held thereafter.</p> <p>The Nomination Committee during the financial period has reviewed and assessed the mix of skills, expertise and composition, size and experience of the Board, the performance and contribution of each individual Director, reviewed the performance of the Audit and Risk Management Committee and its members and the overall effectiveness of the Board and the Board Committees. Among the criteria considered for independency includes ability to exercise independent comments, judgment, and contribution constructively at all times for an effective Board.</p> <p>The Nomination Committee had also assessed and recommended to the Board the retirement of Directors eligible for re-election and re-appointment having regard to the individual's experience, contributions and performance.</p> <p>Based on the assessment conducted for the financial period 2019, the Board and the Nomination Committee were satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.</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 Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy for remuneration of the Company's Managing Director and Executive Directors of the Company and for fixing the remuneration packages of individual Directors.</p> <p>The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.</p> <p>The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.</p> <p>As for Non-Executive Directors, the level of fee is a matter of the Board as a whole. The level of fee for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration.</p> <p>In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.</p>
Explanation for departure	:	

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

Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee (RC) has been formed and currently comprises three (3) Independent Non-Executive Directors.</p> <p>The RC meets as and when required, and at least once a year. The RC met three (3) times during the financial period.</p> <p>Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" and "benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board will seek shareholders' approval at the upcoming Annual General Meeting on the payment of Directors' fees and benefits (comprising meeting allowances) to the Non-Executive Directors for the period from 1 July 2019 up to the next AGM in 2020.</p> <p>The Terms of Reference of the RC are disclosed in 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

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	:	Details of the remuneration of individual directors on named basis during the financial year are disclosed in the Corporate Governance Statement in the Company's Annual Report 2019.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	Applied	
Explanation on application of the practice	:	The Company had disclosed the senior management's remuneration component in band width of RM50,000 on named basis as set out in the Annual Report 2019. During the financial period under review, the Company only has top four (4) senior management.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit and Risk Committee.

The board is able to objectively review the Audit and Risk 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	:	<p>The Chairman of Audit and Risk Management Committee ("ARMC") is Mr Ho Pui Hold while the Chairman of the Board is Mr Jean-Michel Fink.</p> <p>The Company complied with Practice 8.1 of MCGG which stipulates that the Chairman of the ARMC is not the Chairman of the Board.</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 and Risk Management Committee.

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

Practice 8.2

The Audit and Risk Management 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 and Risk Management Committee.

Application	:	Applied	
Explanation on application of the practice	:	None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the ARMC. The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the ARMC is a former key audit partner.	
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 and Risk Management Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC undertakes an annual assessment of suitability and independence of the External Auditors. A written assurance by the External Auditors, confirming that they are and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independent criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.</p> <p>The ARMC review and assess the performance, experience, objectivity and independence of the External Auditors, and the level of non-audit service rendered which would not impair the objectivity and independence as External Auditors of the Company.</p> <p>Hence based on the assessment on the suitability of the External Auditors by the ARMC, the Board was satisfied with the External Auditors' technical competency and audit independence and approved the ARMC's recommendation for shareholders' approval to be sought at the forthcoming Annual General Meeting on the re-appointment of Messrs Afrizan Tarmili Khairul Azhar (AFTAAS) as External Auditors 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

There is an effective and independent Audit and Risk Management Committee.

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

Practice 8.4 - Step Up

The Audit and Risk Management Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The ARMC as at the date of this Corporate Governance Statement comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of ARMC are as follows:-</p> <p>Mr Ho Pui Hold Chairman – Independent Non-Executive Director <i>(Appointed on 1 February 2019)</i></p> <p>Mr Mark Chew Shin Yong Member – Independent Non-Executive Director</p> <p>Mr Jean-Michel Fink Member – Independent Non-Executive Chairman</p>

Intended Outcome

There is an effective and independent Audit and Risk Management Committee.

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

Practice 8.5

Collectively, the Audit and Risk Management 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 and Risk Management Committee including the financial reporting process.

All members of the Audit and Risk Management 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>Collectively, the members of the ARMC are financially literate and are able to understand the Company's business and matters under the purview of the ARMC including the financial reporting process. They have continuously applied a critical and probing view on the Company's financial reporting process, transactions and other financial information, and effectively challenged management's assertions on the Company's financials. Any inconsistencies in the financial and operational reports would be questioned to ensure that the Quarterly Report and the annual Audited Financial Statements taken as a whole provide a true and fair view of the Company's financial position and performance.</p> <p>All the members of the ARMC have attended the relevant training courses as stated in the Corporate Governance Overview Statement.</p> <p>In addition to the above, members of the ARMC would be updated on new developments in the areas of statutory and regulatory requirements by the external auditors, the internal auditors and Company Secretary.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

The board should establish an effective risk management and internal control framework are included in the Audit and Risk Management Committee.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks and respond appropriately to the risks encountered.</p> <p>Further details are set out in the Statement on Risk Management and Internal Control in the Annual Report 2019.</p>	
Explanation for departure	:	Please provide an explanation for the departure.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Executive Directors that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects.</p> <p>Details of the features of risk management and internal control framework, and the adequacy and effectiveness of this framework are contained in the Statement of Risk Management and Internal Control of the Company's Annual Report 2019.</p>
Explanation for departure	:	Please provide an explanation for the departure.
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	The function of Risk Management Committee is currently assumed by the ARMC.

Intended Outcome

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

Practice 10.1

The Audit and Risk Management 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 Group's Internal Audit function, was outsourced and performed by an external professional Internal Audit firm, Messrs Mac & Associates PLT. The main role of the Internal Auditor is to provide the ARMC with independent and objective reports on the effectiveness of the system of internal control and the extent of compliance with established policies and procedures as well as the relevant statutory requirements within the Permaju Industries Berhad Group.</p> <p>The Internal Auditor adopts a risk-based approach and carried out audits on the head office and subsidiaries based on approved Internal Audit Plan or on ad hoc basis. The audits covered a comprehensive scope in the areas of operations, finance/accounts and investigation.</p> <p>The activities of the Internal Auditor during the financial period ended 30 June 2019 are set out in the Audit and Risk Management Committee Report of the Annual Report 2019.</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>The personnel of the Internal Audit firm appointed by the Company is free from any relationship or conflict of interest, which could impair their objectivity and independence. The independence of the internal audit function is evidenced from its direct reporting to the ARMC.</p> <p>The Chief Internal Auditor retains and exercises the right to meet with the ARMC in the absence of management.</p> <p>The internal auditors have full access to the Permaisuri Industries Group’s entities, records and personnel.</p> <p>The Internal Auditor consists of few internal audit personnel with relevant qualifications and experience and is headed by Mr Chuah Lai Meng, the Chief Internal Auditor who has a total of 15 years’ experience. Mr Chuah is a Chartered Member of the Institute of Internal Auditors, Malaysia. The Internal Auditor is trained and certified by the Institute of Internal Auditors, USA (IIA Inc).</p> <p>The Internal Auditor provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the ARMC.</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 Board recognizes the importance of being transparent and accountable to the Company's stakeholders and acknowledges the need for shareholders to be informed of all material business matters affecting the Group. As such, the Board provides clear, comprehensive and timely information to stakeholders via various disclosures and announcements, including the quarterly and annual financial results which provide investors with up-to-date financial information of the Group. All announcements to Bursa Securities and other information about the Company are available on the Company's website which shareholders, investors and the public may access via www.permaju.com.my. In addition, the Directors also facilitate engagement with shareholders through designated question and answer sessions during the Company's Annual General Meetings. The key matters discussed at the Annual General Meeting are accessible for reference at the Company's website at www.permaju.com.my.</p> <p>While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is also wary of the legal and regulatory framework governing the release of material and price-sensitive information.</p> <p>Mr Ho Pui Hold is the Independent Non-Executive Director to whom minority shareholders' concern may be conveyed.</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 11.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Annual Report of the Company contained of the Financial Statements for the financial year and other information and disclosures to enable the shareholders and investors to have a better understanding of the Company’s business and performance.</p> <p>The Company also maintains a corporate website which allows the shareholders and the public to access the information about the Company which includes corporate information, financial information, announcements and other relations.</p> <p>As the Company does not fall under the definition of “large companies”, adopting a globally recognised integrated reporting framework is not in its current focus.</p>
Explanation for departure	:	Please provide an explanation for the departure.
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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 last AGM was held on 29 June 2018 and the Notice convening the AGM was sent to shareholders on 30 April 2018 which is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Company's Articles of Association of at least 28 days.</p> <p>The forthcoming 23rd AGM of the Company will be convened and held on 29 November 2019. The Notice of the 2019 AGM will be sent to shareholders at least 28 days ahead of the meeting date together with the Audited Financial Statements and agenda for 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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>At the Twenty-Second (22nd) AGM of the Company held on 29 June 2018, seven (7) out of eight (8) Directors were present in person to engage directly with shareholders and be accountable for their stewardship of the Company. Brig. General (ret.) Datuk Muhamad Yasin Bin Yahya the Independent Non-Executive Director was unable to attend due to a schedule commitment.</p> <p>At the 22nd AGM, the Chairman invited shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting before putting a resolution to vote by poll.</p> <p>The Chairman also shared with the shareholders present the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watch Group.</p> <p>The Directors and External Auditors were in attendance to respond to the shareholders' queries.</p> <p>The Board is aware of the recent MCGG that all Directors must be present at the AGM, and the Chairman of the ARMC, Nominating and other committees provide meaningful response to questions addressed to them.</p> <p>All Directors will attend General Meetings and will take any relevant questions address to them unless unforeseen circumstances preclude them from attending the General Meetings.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company does not have a large number of shareholders participating in General Meeting. The Company did not hold any general meeting in remote location in the past and does not intend to hold in remote location in the future.</p> <p>Each shareholder can vote in person or by appointing a proxy to attend and vote on his/her behalf. Separate issues are tabled in separate resolutions at general meetings. Voting for all resolutions at last year AGM was conducted by polling and carried out systematically and minutes are properly recorded.</p> <p>The Company may consider leveraging on such technology when it is commercially viable to do so.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

**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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