

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7080
COMPANY NAME : PERMAJU INDUSTRIES BERHAD
FINANCIAL YEAR : June 30, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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	: The Board is entrusted to overseeing the overall management of the business affairs of the Group; determining all major policies; ensuring effective strategies and management are in place; assessing the performance of the Group and its management team; and reviewing the systems of risk management and internal control of the Group.
	<p>When implementing the business plan, the Executive Directors are responsible for executing corporate decisions made by the Board while the Non-Executive Directors scrutinise the management performance by providing independent views and advice in the interests of the shareholders at large.</p> <p>In order to ensure that its obligations to its shareholders and other stakeholders are understood, the Board has defined and collectively review and approved its roles and responsibilities as well as its schedule of reserved matters in its Board Charter.</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>To ensure the effectiveness in the discharge of its functions and responsibilities, the Board has established various committees ("Committees") to assist in leading and directing the Group towards realising its corporate objectives. These Committees are:</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 Chairman instils good governance practices, leadership and effectiveness in the Board through chairing of board and shareholders meetings and deliberating together with the Board members on board matters and policies.</p> <p>When chairing the board meetings, the Chairman will lead and facilitate other Board members to participate in the meeting and ensure that each Board member receives information for the agenda discussed.</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 position of Board Chairman and Executive Directors are held by different Individuals. The Chairman of the Company is Mr Jean-Michel Fink whereas the Executive Directors are Ms Chai Woon Yun and Mr Tang Boon Koon.</p> <p>The role of the Board Chairman is to ensure the effective functioning of the Board while the key role of the Executive Directors are to lead and manage the Group's operations and execute the decisions made by the Board.</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	:	
<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 1.4

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 Board is assisted by 2 qualified and competent Company Secretaries, whom the Board could at all times access to their advice and services. Both Companies 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 Company Secretaries provides insight to the Board on corporate matters such as:</p> <ul style="list-style-type: none"> (a) Corporate governance, relevant laws and regulations; (b) Due diligence reviews for corporate exercises; (c) Restructuring services such as private placements, regulation plans liquidation, take-over offers, initial public offers; and (d) Preparation of circulation to shareholders. <p>Assisting in all Board discussions, the Company Secretaries will be the facilitator responsible for recording the minutes on all issues that have been deliberated by the Board.</p> <p>The Company Secretaries keeps abreast of regulations on corporate disclosure, compliance, securities regulations and Main Market Listing Requirements (“MMLR”) and shall update the Board accordingly as exhibited in the Board Meeting Minutes.</p> <p>The approval to appoint a Company Secretaries is at the discretion of the Board, including the performance evaluation on the discharge of secretarial duties.</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>The Board meets at least quarterly, with additional meetings convened as and when necessary. The Board, Board Committees and shareholders' meetings for the financial year under review were scheduled in advance to facilitate the Directors in their planning. The annual meeting calendar is prepared and tabled at the Board meeting at the beginning of the year. The Chairman, together with the Management and the Company Secretaries, are responsible for ensuring the Directors received adequate and timely information prior to Board or Board Committee meetings.</p> <p>The Board has unrestricted access to all information to allow them discharge their duties effectively and efficiently. In order to allow ample time for the Directors to consider the relevant information, the Board meeting materials are to be circulated at least seven (7) business days prior to the meeting.</p> <p>All pertinent issues discussed at the Board and Board Committees meetings in arriving at the decisions and conclusions are recorded by the Company Secretaries in a clear, accurate, consistent, complete and timely manner.</p> <p>Minutes of the previous Board and Board Committees meetings were prepared and circulated to the Directors and Board Committees members for perusal on timely manner. The minutes records deliberations, decisions and rationale for decision as well as matters where Directors abstained from deliberation and voting, and concerns or dissenting views, if any. The minutes are tabled and approved at the subsequent Board or Board Committees meetings</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 is guided by a Board Charter which sets out the general principles governing the Board and the respective roles and responsibilities of the Board, Board Committees, individual Director and management and also the issues and decisions reserved for the Board.</p> <p>The Board Charter was last reviewed 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.</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 3.1

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 Company has a Code of Conduct and Ethics policy ("Code") which applies to directors, management and employees. The Code set out the Group's value and principles to guide standards of behaviour and business conduct of directors, management and employees deal with third party which cover the anti-bribery, confidentiality, fair dealing, protect of company's assets and human rights. The Code is incorporated in the Board Charter.</p> <p>The Code is available on the Company's website at 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

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>
<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 4.1

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 two (2) Independent Non-Executive Directors.</p> <p>The composition of the Board complies with Paragraph 15.02 of the Main Market 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 strongly endorses diversity as it is of the view that a diversified Board provides constructive debate and discussion which lead to greater effectiveness, creativity and capacity to thrive in a challenging and uncertain business environment. The Board takes into consideration and aims to make good use of the differences in the skills regional and industry experience, background, race, gender and other qualities of its Directors.</p> <p>The Board also strives to ensure that there is no discrimination on age, gender, ethnicity and cultural background when deciding candidates on the composition of the Board and in Senior Management team.</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 Malaysian Code on Corporate Governance 2017 ("MCCG") on gender diversity, the Board through the term of reference of NC had complied with Paragraph 15.08A(3)(a) of the MMLR 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 NC 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	:	

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	:	<p>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.</p> <p>Unless there are no qualified candidates from among the Board members' respective networks for appointment to the Board, the Company shall utilise independent sources.</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	:	

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>The Nomination Committee (“NC”) is entrusted by the Board to annually review the effectiveness of the Board and Board Committees as well as the performance 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 (“AGM”). The Board has endorsed the NC’s recommendations.</p> <p>The NC 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. All the results were reported to the Board for notation and discussion, and where required, further improvements.</p> <p>Based on the assessment conducted for the financial year 2020, the Board and the NC 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 Board has in place a process to determine the remuneration of directors and senior management, for Executive Directors, the remuneration scheme is structure based on corporate and individual performance. For Non-Executive Directors are remunerated based on their experiences and the level of responsibilities undertaken by the respective Non-Executive Directors concerned. As for senior management, yearly performance appraisal will be reviewed and approved by Executive Director.</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>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 AGM based on recommendations 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	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
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 Board had established a Remuneration Committee ("RC") that consists of exclusively Independent Non-Executive Directors, as follows:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Designation in RC</th> <th>Directorship</th> </tr> </thead> <tbody> <tr> <td>Mark Chew Shin Yong</td> <td>Chairman</td> <td>Independent Non-Executive Director (Chairman)</td> </tr> <tr> <td>Jean-Michel Fink</td> <td>Member</td> <td>Independent Non-Executive Chairman</td> </tr> <tr> <td>Ho Pui Hold</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The RC reviews and recommends the remuneration of the Executive Directors and Senior Management for the Board's approval pursuant to the TOR of RC as well as the remuneration of Non-Executive Directors for shareholders' approval. The Terms of Reference of the RC are disclosed in the Company's website.</p>			Name	Designation in RC	Directorship	Mark Chew Shin Yong	Chairman	Independent Non-Executive Director (Chairman)	Jean-Michel Fink	Member	Independent Non-Executive Chairman	Ho Pui Hold	Member	Independent Non-Executive Director
Name	Designation in RC	Directorship														
Mark Chew Shin Yong	Chairman	Independent Non-Executive Director (Chairman)														
Jean-Michel Fink	Member	Independent Non-Executive Chairman														
Ho Pui Hold	Member	Independent Non-Executive Director														
Explanation for departure	:															
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																
Measure	:															
Timeframe	:															

Intended Outcome

Stakeholders are able to 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 Company's Annual Report 2020.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	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 2020. During the financial year under review, the Company only has only one (1) 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	:	

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 Audit and Risk Management Committee is Mr Ho Pui Hold while the Chairman of the Board is Mr Jean-Michel Fink. The Company complied with Practice 8.1 of MCCG which stipulates that the Chairman of the ARMC is not the Chairman 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

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 and Risk Management Committee.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	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.	
<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	:	The Board has established a formal and transparent arrangement with its external auditors to meet their professional requirement. The Audit and Risk Management Committee meets with the external auditors to review the rationale of significant judgement, accounting principles and the operating effectiveness of internal controls and business risk 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	:		
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	:	Adopted		
Explanation on adoption of the practice	:	The Audit and Risk Management Committee (“ARMC”) comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of ARMC are as follows:-		
		Name	Designation in RC	Directorship
		Mr Ho Pui Hold	Chairman	Independent Non-Executive Director
		Mr Mark Chew Shin Yong	Member	Independent Non-Executive Director
		Mr Jean-Michel Fink	Member	Independent Non-Executive Chairman

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>Collectively, the members of the Audit and Risk Management Committee (“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. 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.

Application	:	Applied
Explanation on application of the practice	:	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. Further details are set out in the Statement on Risk Management and Internal Control in the Annual Report 2020.
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 2020.</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 Risk Management Committee, which comprises a majority of independent directors, to oversee the company’s risk management framework and policies.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	<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 activities of the Internal Auditor during the financial year ended 30 June 2020 are set out in the Audit and Risk Management Committee Report of the Annual Report 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

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 Josh Chuah Lai Meng (“Mr Chuah”), the Chief Internal Auditor who has many years of 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	:	Information is made available to the shareholders and investors through the Annual Reports, the various disclosures and announcements made to Bursa Malaysia Securities Berhad ("Bursa Securities") and the Company's corporate website. The AGM also provides the platform for dialogue and interaction with shareholders. Please refer to the Corporate Governance Overview Statement in the Annual Report 2020.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 November 2019 and the Notice convening the AGM was sent to shareholders on 31 October 2020 which is in compliance with the MMLR of Bursa Securities and the Company's Constitution of at least 28 days.</p> <p>The forthcoming 24th AGM of the Company will be convened and held on 30 November 2020. The Notice of the 2020 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	:	Applied
Explanation on application of the practice	:	
Explanation for departure	:	All members of the Board including the Chairman of ARMC, NC and RC of the Company have confirmed their attendance for the forthcoming AGM, barring any unforeseen circumstances.
<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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