

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7234
COMPANY NAME : MESB BERHAD
FINANCIAL YEAR : 30 June 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	<p>The Board is responsible for overall corporate governance, strategic direction, formulation of policies to oversee the business, performance and affairs of the Group, and charting the course of the Group's business operation whilst providing effective advice on Management's performance, risk assessment and controls over business operations.</p> <p>In discharging duties and roles effectively, the Board is guided by the Board Charter, which sets out the principles and guidelines that are to be applied by the Board.</p> <p>The Board has delegated day-to-day management of the Group business to Executive Directors, Chief Executive Officer and Management. Further, to ensure effective discharge of its function and responsibilities, the Board has also delegated specific responsibilities to the Audit Committee ("AC"), Nomination and Remuneration Committee ("NRC") and Risk Management Committee ("RMC"), within their respective Terms of Reference.</p> <p>The ultimate responsibility for the final decision on all matters deliberated in these committees, however, lies with the Board. Besides that, the Chairman of the relevant Board Committees also reports to the Board on key issues deliberated by the Board Committees at their respective meetings.</p> <p>The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. To discharge the Board's responsibilities, the Board has assumed the following principal roles and responsibilities:</p> <ul style="list-style-type: none">• approves and proactively participates in strategic decisions;• together with senior Management, promotes good corporate

	<p>governance culture within the Group which reinforces ethical, prudent and professional behaviour;</p> <ul style="list-style-type: none"> • oversees Management’s plans, decisions, and actions; • monitor sustainability issues in the Group and consider appropriate sustainability reports and information • puts in place succession planning for Board and senior Management, including the implementation of appropriate systems for recruiting, training and determining the appropriate compensation benefits; • monitors Management’s ethical conduct, financial reporting and regulatory compliance; • plays a critical role in ensuring sound and prudent policies and practices of the Group; • be capable of effectively achieving good governance and protecting the interests of shareholders; • ensures there is a sound framework for internal control and risk management; • sets the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks; • reviews the performance of the Group’s businesses; • approves the establishment of the Board Committees including appointment of Committee members and its terms of reference; • monitors compliance with the relevant rules, regulations and accounting standards within the corporate and business environment; • promotes ethical and best corporate governance culture across the Group; • declares the interim dividend and recommends the payment of the final dividend; • promotes effective communication and proactive engagements within shareholders and other stakeholders; and • appoints new directors based on recommendation of the Nomination Committee. <p>The Board shall meet at least four (4) times a year. When the need arises, special board meetings will be convened. The Board Committees also meet regularly to discharge their duties.</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 chaired by a Senior Independent Non-Executive Director, En Saffie Bin Bakar.</p> <p>The Chairman is responsible for providing leadership to the Board, controls the orderly and effective functioning of the Board, ensures the integrity and effectiveness of the governance processes of the Board and consults the Board promptly over any matter that is pertinent to the Company and of concern to the Company.</p> <p>The Chairman's key roles and responsibilities include:</p> <ul style="list-style-type: none"> • providing leadership for the Board; • leading Board meetings and discussions; • managing the interface between Board and Management; • setting the Board agenda and ensuring that Board members receive the necessary information in a timely manner; • encouraging active participation and allowing dissenting views to be freely expressed; • leading the Board in establishing and monitoring good corporate governance practices in the Company; and • ensuring appropriate steps are taken to provide effective communication with stakeholders and their views are communicated to the Board as a whole; • Chairs General Meetings of the Company and provides clarification on issues that may be raised by shareholders. 	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and CEO are held by different individuals. The Chairman and the CEO are not related to each other.</p> <p>The roles and responsibilities of the Chairman, En Saffie Bin Bakar is distinguished from that of the CEO, Mr Loke Lee Ping, which are clearly set out in the Board Charter and is made available on the corporate website at www.mesbbhd.com.</p> <p>The Chairman of the Board is responsible for the leadership, effectiveness and conduct of the Board.</p> <p>The CEO, assisted by his fellow Executive Director, has overall responsibility over the business units and day-to-day management of the Group, organisational effectiveness and implementation of Board policies, strategies and decisions. The CEO is responsible for the due execution of strategic goals, effective operation within the Group, and to explain, clarify and inform the Board on matters pertaining to the Group.</p> <p>The distinct and separate roles of the Chairman and the CEO, with a clear division of responsibilities, ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision-making.</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 Company Secretaries are qualified and competent to act as the Company Secretary under the Section 235(2) of the Companies Act 2016 ("CA 2016").</p> <p>All Directors are given unrestricted access to the advice and services of the Company Secretaries.</p> <p>The Secretaries regularly update the Board on matters pertaining to the statutory requirements prescribed under the various statutes, in particular, the CA 2016, the Listing Requirements of Bursa Securities and in general, such other matters relating to secretarial practice.</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>Prior to each Board and Board Committees meeting, all Directors receive an agenda and a full set of meeting papers for the agenda items to be discussed before the Board and Board Committees meeting and are given full access to senior management to clarify any matters arising. In most instances, the senior Management are invited to attend the Board meetings to provide insight and to furnish clarification on issues that may be raised by the Board.</p> <p>In the intervals between scheduled Board and Board Committees meetings, for exceptional matters requiring urgent Board decisions, Board and Board Committees decisions are obtained via additional ad-hoc meetings convened or circular resolutions which are supported with board papers, providing information necessary for the Board and Board Committees' deliberation to ensure the Directors are able to make informed decisions.</p> <p>The deliberations and decisions at Board and Board Committee meetings are well documented in minutes by the Company Secretary, who attends all meetings. The status of actions taken with reference to the previous minutes of meetings is updated in the matters arising for the Board's notation. The minutes are confirmed as correct record by the Board and Board Committees at the following meeting.</p> <p>All Directors have full and unrestricted access to timely information of the Group. In addition, the Directors are also empowered to seek independent external professional advice at the expense of the Company, should they consider it necessary in the course of their 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

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter serves as a source reference to the Board for matters relating to the Board’s organisation. It also provides guidance to the Board members in the performance of their duties, roles and responsibilities as Directors of the Company. It will also assist the Board in the assessment of its own performance and of its individual Directors.</p> <p>Under the Board Charter, the Board has set out those matters that the Board has reserved to itself for decision making. The Charter also includes the respective functions, duties and responsibilities, composition and structure of the Board.</p> <p>The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the Board’s responsibilities in discharging its governance function.</p> <p>The Board last reviewed the Board Charter on 8 October 2020 and the Board Charter is available on Company’s website at www.mesbbhd.com.</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 Board has formalised Ethical standard through Code of Conduct for Directors and Employees in discharging its oversight role effectively.</p> <p>The Code of Conduct has clearly stated the values and inspiring principles behind the achievement of its business objectives, which are of fundamental importance for the correct operation of its businesses.</p> <p>The Board last reviewed the Code of Conduct on 26 February 2020 and made available on Company's website at www.mesbbhd.com.</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 recognises whistleblowing as an important mechanism in the prevention and detection of improper conduct, harassment or corruption in the conduct of the Group’s businesses and operations.</p> <p>The Board formalised the Whistleblowing Policy. This is to provide an avenue for all employee and stakeholders to raise genuine concerns about unethical behaviour, malpractice, illegal acts or failure to comply with regulatory requirements without fear of reprisal should they act in good faith when reporting such concerns.</p> <p>The Board will review and update the Whistle Blower Policy as and when necessary to ensure that it remains relevant to the Group’s changing business circumstances and/or comply with the applicable laws and regulations.</p> <p>The Board last reviewed the Whistleblowing Policy on 26 February 2020 and made available on Company’s website at www.mesbbhd.com.</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

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 Company encourages objective and independent deliberation and decision-making.</p> <p>Currently, the Board comprises five (5) members, of whom three (3) are Independent Non-Executive Directors, and two (2) Executive Directors, where the Chairman is an Independent Non-Executive Director. This is in compliance with Paragraph 15.02(1) of the Main Market Listing Requirements (“MMLR”) which states that at least two (2) directors or one-third (1/3) of the Board of Directors of a listed issuer, are Independent Directors.</p> <p>The Independent Non-Executive Directors are persons of high calibre and integrity, provide an independent judgment on the issues of strategy, performance and resource allocation proposed by the management. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.</p> <p>Pursuant to the definition of independence under the MMLR, all of the three (3) Independent Directors have satisfied their independence in the yearly assessment of the Independent Directors for the financial year ended 30 June 2020.</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

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

Practice 4.2

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

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

Application	: Applied – Two Tier Voting
Explanation on application of the practice	<p>The Board is of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service. The extended service should not affect their independence, as they are still able to provide independent judgment, experience and objectivity without being subordinated to operational considerations.</p> <p>En Saffie Bin Bakar and Mr Tan Yew Kim, an Independent Non-Executive Director (“INED”) of the Company, who have served with the Board for cumulatively more than 12 years and 9 years respectively.</p> <p>The Board through the NRC has undertaken relevant assessment on their independence and has recommended that they shall remain as Independent Non-Executive Directors of the Company as they are qualified and their extended tenure can be entrusted to discharge their duties and responsibilities independently and objectively notwithstanding their tenure on the Board.</p> <p>The Board will seek shareholders' approval at the forthcoming Annual General Meeting to retain Mr Tan Yew Kim and En Saffie Bin Bakar.</p> <p>A two-tier voting process would be adopted when seeking the shareholders' approval to retain En Saffie Bin Bakar as Independent Non-Executive Director of the Company.</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

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 Group practices non-discrimination in any form, whether based on age, gender, or cultural background, throughout the organisation.</p> <p>When assessing the suitability of a nominated candidate for appointment to the Board, the NRC will review the Board composition matrix setting out the criteria and the gap and will consider the skill sets, expertise, industry knowledge and the needs of the Company.</p> <p>The NRC is delegated with the responsibility in identifying, assessing and recommending to the Board, candidates for appointment as the Chairman, Director, CEO and Chief Financial Officer (“CFO”). In making its recommendations, to consider the candidates’ age, background, skills, knowledge, expertise and experience, professionalism, integrity and time efficiency and in the case of candidate for the position of Independent Non-Executive Directors, to evaluate the candidates’ ability, independence and time to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. The results of such evaluation should be explained to the Board.</p> <p>The nomination process may consider utilising independent sources, when necessary.</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

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board recognises the importance of gender diversity, female on Board increase board effectiveness by contributing to better and more constructive discussions, leading to a better decision-making process during board meetings.</p> <p>In the event of a vacancy in the Board, the Board, through the NRC has been tasked to consider the female representation when a vacancy arises and/or suitable candidates are identified. The appointment of a new Board member will not be guided solely by gender but will also take into account the skills-set, experience and knowledge of the candidate. The Company's prime responsibility in new appointments is always to select the best candidates available.</p> <p>However, the Group has more than 30% women representation in the senior positions within the Group.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The NRC is tasked to assist the Board to evaluate and recommend candidates for appointments to the Board. The NRC has put in place a process for the selection and nomination of Directors</p> <p>The Board, through the NRC appraises the composition of the board and believes that the current composition brings the required mix of skills and core competencies for the Board to discharge its duties effectively. New appointees will be considered and evaluated by the NRC based on the qualification, required competencies, skills, experience and expertise, and time commitment to the Board. The NRC will then recommend the candidates to be approved and appointed by the Board.</p> <p>Should there be any new appointment, the NRC will deploy multiple channels to identify the suitable candidates, by the recommendation from the existing Board Directors, major shareholders, senior management, the advisors of the Company and external executive search firms. However, the final decision as to whom shall be appointed remains the responsibility of the Board as a whole.</p> <p>During the financial year ended 30 June 2020, there was no appointment of new member to the Board or Board Committees.</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

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	:	<p>The NRC is chaired by En Saffie Bin Bakar, an Independent Non-Executive Director.</p> <p>The NRC comprises exclusively three (3) Independent Non-Executive Directors as follows:-</p> <ul style="list-style-type: none">• Saffie Bin Bakar (Chairman)• Tan Yew Kim (Member)• Lee Kok Heng (Member)
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>Through the NRC, the Board has established a formal assessment process which will be carried out annually for evaluation of its own performance and the performance of its committee individual directors. The Board evaluation comprises a Board Assessment, an Individual Peer Assessment and an Assessment of Independence of Independent Directors.</p> <p>The Board evaluates its effectiveness every year and discloses the summary of the result. The evaluation of the effectiveness of the Board cover 4 areas (i) Board Structure, (ii) Board operations and interactions, (iii) Board communications; and (iv) Board roles and responsibilities.</p> <p>Questionnaires on the above are sent out to the Board members by the Company Secretaries and summarised findings based on Directors' feedback and reviewed by the NRC prior to submitting to the Board for deliberation and identify areas for improvement.</p> <p>Besides, each individual Director undertook a peer assessment of their individual performance during the financial year ended 30 June 2020 based their attributes, personality and quality.</p> <p>The NRC also reviews the performance of the AC annually by means of questionnaires completed by individual NRC members which are then discussed at NRC and Board meetings. These appraisals enable the NRC to evaluate the effectiveness objectively and to conclude that the AC operated effectively under its terms of reference.</p> <p>Based on the results of the assessment for the financial year ended 30 June 2020, the Board was satisfied with the overall performance of individual Director, Board and Board Committees, including the character, experience, integrity, competence and time to effectively discharge their role as a Director of the Company. It also concluded that the Board composition and Committees corresponding to its oversight duties and the developments of the Company strategy;</p>

	comprised competent Directors and the Board has effective discharge its responsibilities.	
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	:	The NRC is authorised by the Board to establish a formal and transparent policies and procedures to determine the remuneration of Director and Senior Management. The remuneration policy is made available at our corporate website at www.mesbbhd.com .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board has established a NRC which comprised of Independent Non-Executive Directors, and to assists the Board on matters relating to the remuneration of the Board and senior management.</p> <p>The NRC discharged its responsibilities in remuneration function has set out below:-</p> <ol style="list-style-type: none">1. To recommend and advise the Board of Directors the remuneration and terms of conditions (and where appropriate, severance payments) of the Executive Directors.2. To establish a formal and transparent procedure for developing policy on Directors' and Senior Management's remuneration and to make recommendation to the Board on the remuneration packages of individual Executive Directors and senior management, taking into consideration the following:<ul style="list-style-type: none">• In case of executive directors and senior management, the component parts of remuneration should be structured on the basis of their merit, qualification and competence, having regard to the company's operating results, individual performance and comparable market.• In the case of non-executive directors, the level of remuneration should reflect the experience and level of responsibility undertaken by the non-executive concerned.• The remuneration of the non-executive directors shall be a matter for the Board.3. Where possible, and to allow it to meet its duties, the NRC

	<p>should seek comparative information on remuneration and conditions of service in comparable organisations, within and without sectors of industry. The NRC may engage remuneration consultants and other advisers or otherwise obtain such independent legal or other professional services as it requires, at the expense of the Company, with prior consent of the Board.</p> <ol style="list-style-type: none"> 4. When considering severance payments, the NRC should bear in mind that it must represent the public interest and avoid any inappropriate use of public funds. Care should be taken to avoid determining a severance package that public opinion might deem to be excessive. 5. To review the recommendations of the CEO on remuneration, compensation and benefits package of the senior management, to ensure their contributions for the year are competitive and consistent with the Group's culture and strategy. 6. To review and if deemed appropriate, endorse for the Board's approval, the annual bonus and salary increment framework for the Group's senior management, as recommended by the CEO. 7. To recommend to the Board the remuneration policies and procedures for directors and senior management as well as the terms and reference of the Remuneration Committee. 8. To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.
<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

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments are made 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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company notes the need for corporate transparency in the remuneration of its key senior management executives, however, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, such disclosure may be detrimental to the business interests and give rise to recruitment and talent retention issues.</p> <p>The Company also believes that the non-disclosure of the information on key personnel and their remuneration will not:-</p> <ul style="list-style-type: none"> • affect the interest of its shareholders; and • add significant value and understanding towards the evaluation of the Company's standard of Corporate Governance. <p>The NRC will annually review the individual top Senior Management remuneration packages to ensure fairness and internal equity, while maintaining market competitiveness in terms of the structure, scope and level of executive compensation within the Group.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<p>The Audit Committee is chaired by an Independent Non-Executive Director, Mr Tan Yew Kim, who is not the Chairman of the Board.</p> <p>The Chairman of the AC of the Company is neither the Chairman of the Board nor other Board Committee’s Chairman as our Board acknowledges that the AC being an independent, objective body, it should function as the Company’s independent watchdog to ensure the integrity of financial controls, combined assurance and effective financial risk management.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Company recognised the need to uphold the independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the AC of the Company were former key audit partners of the external auditors appointed by the Company. The Company 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 AC was a key audit partner of the external auditors of the Group.</p> <p>The requirement for a former key audit partner to observe a cooling off period of at least two (2) years before being appointed as a member of the AC is part of the Terms of Reference of the AC.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The AC of the Company is responsible for reviewing, assessing and monitoring the performance, suitability and independence of external auditors.</p> <p>The AC conducted an annual assessment of the suitability and independence of the external auditors, Messrs. KPMG PLT ("KPMG"), in respect of the financial year under review. The evaluation covered assessment of the audit scope, relationship with external auditors, audit governance and independence, audit communications and audit fee.</p> <p>The AC was satisfied on the overall performance, suitability, objective and independence of the external auditors in terms of their professionalism, quality of services and sufficiency of resources provided by them to the Group.</p> <p>KPMG had also provided written confirmation to the AC that they had been independent throughout the audit engagement in respect of the financial year under review.</p> <p>Having considered all the above criteria, the Board had upon recommendation by the AC, approved the recommendation for the re-appointment of KPMG as external auditors of the Company for the ensuing year for the shareholders' approval at the forthcoming Annual General 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

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	:	Applied.
Explanation on adoption of the practice	:	At present, the AC comprises solely of three (3) Independent Directors and as such, there is a strong and independent element to provide effective oversight for it to function effectively and exercise objective judgements independently

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>The AC assists the Board to review the integrity of the Group's financial statements. The AC further reviews the adequacy and effectiveness of the system of internal controls. The AC was mindful of the introduction of the new financial reporting standards, which was briefed by an external auditors during the financial period under review.</p> <p>The Chairman of AC is a senior partner of a local public accounting firm and all the members of the AC are encouraged to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. The details of the training attended by the AC members for the financial year ended 30 June 2020 are disclosed in 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 make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

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

Practice 9.1

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board has overall responsibility for maintaining a system of internal control and risk management that enables the Company to make informed decisions with reasonable assurance of achieving effective and efficient operations and compliance with laws and regulations, as well as with internal procedures and guidelines.</p> <p>The Board has delegated to the RMC with the responsibility to review the risk management and internal control system of the Group for ensuring that risks are identified and monitored. The RMC has in turn required Management to design and implement a risk management and internal control system to manage the Group's material business risks on an ongoing basis, and Management shall confirm to the Board on the effectiveness of these systems at least annually.</p> <p>With the assistance of Internal Auditors, the RMC has established risk management policy approved by the Board. The Policy sets out the governance structure for managing risks, risk appetite and tolerance levels, risk management approach as well as risk factors.</p> <p>The Statement on Risk Management and Internal Control set out in the Annual Report 2020 provides an overview of the internal control within the Group for the financial period under review.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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 sound risk management and internal control practices for good corporate governance. The Board affirms its responsibility for ensuring the Group's system is able to adequately and effectively manage significant risks. The Group has in place an ongoing process for identifying, evaluating and managing significant risks through a framework which includes a reporting structure. The Group's system of internal control is designed to manage and control risks appropriately, rather than eliminate the risk of failure to achieve business objective. Due to the inherent limitations in all control systems, these control systems can only provide reasonable and not absolute assurance.</p> <p>The features of the risk management and internal control framework of the Group and its adequacy and effectiveness are set out in the Statement on Risk Management and Internal Control as contained in the Company's Annual Report 2020.</p>	
Explanation for departure	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - 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	:	Applied.
Explanation on adoption of the practice	:	The RMC has five (5) members, which comprises three (3) are Independent Directors. The RMC is currently chaired by an Independent Director, Mr Lee Kok Heng.

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 AC recognises that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness and adequacy of the Group's internal control system.</p> <p>Accordingly, the Company's internal audit function has outsourced to an independent professional firm, Smart Focus Group Sdn Bhd ("Smart Focus") to assist the AC in discharging its duties and responsibilities in respect of reviewing and assessing the adequacy and effectiveness of the Group's risk management and internal control systems. The Internal Auditors reports directly to the AC, which in turn report to the Board.</p> <p>In performing its duties, the Internal Auditors has free and unfettered access to information and to meet with any of the department heads or persons-in-charge.</p> <p>The internal audit function of the Group is effective and remains independent all the time. The internal audit function is set out in the Statement of Risk Management and Internal Control and Audit Committee Report and are disclosed in the Annual Report 2020.</p> <p>The Internal Auditors carried out the internal audit function based on the internal audit plan approved by the AC. The audit findings together with management's response and proposed action plans have been reviewed by AC at its scheduled meetings. In addition, follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.</p> <p>The Internal Auditors communicate regularly and report directly to the AC on their activities based on the approved Annual Internal Audit Plan to ensure their independent status within the Group.</p> <p>The Internal Auditors are also invited to attend the meetings of the AC, whenever required.</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 Company outsourced the internal audit function to Smart Focus and their engagement team is headed by the Assurance Division Director, namely Ms.T.Kanageswari. She graduated from University of Hertfordshire, United Kingdom in Finance. She is a Professional Member of the Institute of Internal Auditors Malaysian. She has vast experience and exposure in the Internal Audit field. She was assisted by a team of internal Auditors for all the assignments during the financial period under review. The Internal Auditors are free from any relationship or conflicts of interest which could impair the objectivity and independence of the Internal Audit during the financial review period.</p> <p>Internal Audit Function (“IA”) provides independent assessment on the effectiveness and efficiency of internal controls utilizing a global audit methodology and tool to support the reviews. IA adopts the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors, the definition of Internal Auditing, Code of Ethics, Practices and Framework in order to ensure standardisation and consistency in providing the assurance services.</p> <p>The information on internal audit functions are disclosed in 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

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 recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. As such, the Board consistently ensures prompt and timely dissemination of information to the shareholders and the investors, for them to make informed investment decisions.</p> <p>The supply of clear, comprehensive and timely information to the stakeholders via various disclosures and announcements including quarterly and annual financial results provide stakeholders and investors with up-to-date financial information of the Group. All these announcements and other information such as Corporate Governance, Policies, Charter, Terms of References, summary of key matters discussed at the Annual General Meeting ("AGM") as well as other corporate information are made available on the Company's website which is accessible to the shareholders, investors and the public.</p> <p>The AGM is the principle forum for dialogue with shareholders. AGM provides an opportunity for shareholders to understand the financial and operational performance of the Company and raise concerns, enquiries and comments on the Company's operations and provide insights on the company's business activities and financial position. An overview on the Company's performance and major activities during the financial year under review was presented by the CEO and the Chairman during the AGM.</p> <p>Shareholders are encouraged to ask questions both about the resolutions being proposed and the Company's operations in general. The Chairman and all other members of the Board, the Management team and Auditors are available to respond to shareholders' questions during the meeting.</p> <p>The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make the necessary arrangement to attend the planned AGM.</p>

	<p>To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, mesb@mesbbhd.com to which stakeholders can direct their queries or concerns.</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

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

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

Practice 11.2

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

Application	:	Departure.
Explanation on application of the practice	:	
Explanation for departure	:	The Company is not classified "Large Company" under the MCCG 2017.
		The Board is of the view that the current reporting in the Annual Report 2020 has adequately provided to the shareholders the relevant, complete, concise and comprehensive financial and non-financial information required. The Group continuously enhances its annual report, in order to improve its communication with its stakeholders with respect to the business of the company, its policies on governance, the environment and social responsibility.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Annual Report, which contains the Notice of Annual General Meeting (“AGM”), was sent to the shareholders at least 28 days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM.</p> <p>The Notice of AGM, which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.</p> <p>The notes to the Notice of AGM also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p> <p>In last AGM, all the resolutions set out in the Notice of 24th AGM held on 19 December 2019 were put to vote by poll and were duly passed. The outcome of the AGM was announced to Bursa Malaysia Securities Berhad on the same day.</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

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

Practice 12.2

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

Application	:	Applied.	
Explanation on application of the practice	:	<p>At the 24th Annual General Meeting held on 19 December 2019, all the Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company.</p> <p>In addition to the above, members of the senior Management and external auditors of the Company have also attended and will continue to attend the AGM to respond to the shareholders' queries.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company has less than 1,800 shareholders as such, while all practical efforts are taken to ensure that shareholders' ability to participate at general meetings, considering the cost involved, it is not economically justifiable to enable voting in absentia or remote shareholders' participation at general meetings. Nonetheless, with the advent technology, the appointed proxies may communicate with shareholders instantaneously on matters deliberated at all general meetings.</p> <p>The Company's AGM has always been held at Kuala Lumpur. This venue was easily accessible and was familiar to the shareholders of the Company.</p> <p>The Company has adopted manual polling for 24th Annual General Meeting held on 19 December 2019. As for voting in absentia and remote shareholders' participation, the existing proxy form authorising proxy(ies) or Chairman of meeting is an alternative measure adopted by the Company.</p> <p>As an alternative to the recommended practice, shareholders who are unable to attend general meetings are allowed to appoint their respective proxies to participate, speak and vote on their behalf at all general meetings the Company.</p> <p>The summary of key matters discussed at AGM will be published at the Company's corporate website. The Chairman of Board and its Committee together with the CEO will attend and answer questions from its shareholders at the AGM.</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	:		
Timeframe	:		

**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.

Click here to enter text.