

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7145
COMPANY NAME : PRINSIPTEK CORPORATION BERHAD
FINANCIAL YEAR : June 30, 2018

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 aware of their fiduciary duties and responsibilities as members of the Board and the various legislations and regulations affecting their conduct, the need to safeguard the interests of the shareholders, customers and all other stakeholders and that the highest standards of Corporate Governance are applied in all their dealings on behalf of the Company.</p> <p>The Independent Directors have a particular responsibility for challenging the Group's strategy and monitoring the performance of Executive Directors against goals and objectives.</p> <p>A summary of the Board's key responsibilities is set out below:</p> <ul style="list-style-type: none">a) Promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour.b) Review, challenge and decide on Management's proposals for the Company, and monitor its implementation by Management.c) Review and approve corporate plan for the Group which includes the corporate strategy and strategic plan for the Group.d) Ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social consideration underpinning sustainability.e) Review and approve strategic initiatives including corporate business restructuring.f) Supervise and assess Management's performance to determine whether the business is being properly managed.g) Ensure that there is a sound framework for internal controls and risk management.h) Understand principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks.i) Ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession planning of the Board and senior management.

	<p>j) Ensure that the Company has in place procedures to enable effective communication with stakeholders.</p> <p>k) Ensure the integrity of the Company’s financial and non-financial reporting.</p> <p>l) Review the adequacy and integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.</p> <p>m) Review and approve the financial statements which include the Audited Financial Statements and quarterly reports, dividend policy, credit facilities from financial institutions and guarantees.</p> <p>The full roles and responsibilities of the Board are mentioned in the Board Charter which is made available for reference at Company Website at www.prinsiptek.com.</p>
<p>Explanation for departure</p>	<p>: N/A</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>: N/A</p>
<p>Timeframe</p>	<p>: N/A</p>

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by an experienced Independent Non-Executive Chairman who is responsible in instilling good corporate governance practices, leadership and effectiveness of the Board . The Independent Non-Executive Chairman, Tan Sri Dato' Seri Mohamad Noor Abdul Rahim was appointed to the Board on 4 December 2003.</p> <p>Some of the specific responsibilities of the Chairman include: -</p> <ul style="list-style-type: none">a) Provides leadership for the Board so that the Board can perform its responsibilities effectively;b) Sets the agenda for the Board meetings and ensures that Board members receive complete and accurate information in a timely manner;c) Leads Board meetings and discussions;d) Encourages active participation and allows dissenting views to be freely expressed;e) Manages the interface between Board and Management;f) Oversees the Board in the effective discharge of its fiduciary duties;g) Presides at Board and general meetings of the Company and ensures that all relevant issues are on the agenda with the assistance of the Senior Management and Company Secretary;h) Manages Board communications and Board effectiveness and effective supervision over the Group Managing Director;i) Facilitates good decision-making during Board and shareholders' meetings;j) Provides reasonable time for discussion of complex and contentions issues, and ensures all discussions include the collective views of all Board members;k) Ensures Board proceedings are in compliance with good conduct and best practices; andl) As Group's official spokesperson.
Explanation for departure	:	N/A

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

Measure	:	N/A	
Timeframe	:	N/A	

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 the Chairman and the Managing Director is separated and there is a clear division of responsibility between the Chairman who is independent non-executive director and the Managing Director who is executive director.</p> <ul style="list-style-type: none">• Chairman of the Board: Tan Sri Dato' Seri Mohamad Noor Abdul Rahim <p>The Chairman, being Independent Non-Executive, heads the Board and is responsible for the leadership, effectiveness, conduct and governance of the Board.</p> <p>The Chairman ensures the integrity and effectiveness of the governance processes of the Board and shall consult with the Board promptly over any matter that gives him cause for major concern.</p> <p>The Chairman shall act as a facilitator at meetings of the Board and ensure that no Board member, whether executive or non-executive, dominates the discussion, and that appropriate discussion takes place and opinions among Board members are forthcoming.</p> <ul style="list-style-type: none">• Group Managing Director: Dato' Foo Chu Jong <p>Group Managing Director ("GMD") oversees and manages the day-to-day operations of the operations of the Group and undertakes executive decision-making and implementation of policies and decisions.</p> <p>The GMD shall be the head of the Management of the Company and the Group and in that capacity is answerable to the Board.</p> <p>The key role of the GMD, amongst others, includes:-</p> <ol style="list-style-type: none">a) developing the strategic direction of the Group;b) ensuring that the Group's strategies and corporate policies are effectively implemented;c) ensuring that Board decisions are implemented and board directions are adhered to;d) providing directions in the implementation of short and long term business plans; and

	<p>e) providing strong leadership i.e. effectively communicating a vision, management philosophy and business strategy to the employees.</p> <p>The full roles and responsibilities of the Chairman and GMD are mentioned in the Board Charter which is made available for reference at Company Website at www.prinsiptek.com.</p>	
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	N/A
Timeframe	:	N/A

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 has full and unrestricted access to the advice and services of the Company Secretary for discharging its duty effectively. The Board is supported by two (2) company secretaries who are qualified under Section 235 of the Companies Act 2016. They are Fellow member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and member of the Malaysian Institute of Accountants respectively.</p> <p>The primary responsibilities of the Company Secretary include:</p> <ol style="list-style-type: none"> a) Advising the Board on its roles and responsibilities; b) Facilitating the orientation of new Directors and assist in Directors training and development; c) Advising the Directors on corporate disclosures and compliance with Company and securities regulations and listing requirements including: <ul style="list-style-type: none"> • disclosure of interests in securities; • disclosure of any conflict of interest in a transaction involving the Group; • prohibition of dealing in securities; and • restrictions on disclosure of price-sensitive information. d) Managing processes pertaining to the annual shareholders' meeting; e) Monitoring corporate governance development and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and f) Serving as a focal point for stakeholders' communication and engagement on corporate governance issues.
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 meeting, all board members are furnished with agenda and board papers for meetings, at least five (5) business days before the meetings. This enables the Directors to have sufficient time to review the Board papers and to obtain further explanation or clarification to facilitate decision making process and meaningful discharge of their duties.</p> <p>The Board has full and unrestricted access to all information pertaining to the Company in a timely manner for the discharge of its duties effectively.</p> <p>A record of the Board's deliberation of issues discussed and conclusion reached are recorded in the minutes of the meeting by the company secretary. After the meeting, the minutes are circulated to the Board and Board Committee members in a timely manner.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 has formalized and uploaded its Board Charter in the Company's website at www.prinsiptek.com. The Board Charter serves as the primary guiding which provides reference for Directors in relation to the Board's roles and responsibilities. The Board Charter also serves as a reference point for the Board's activities where the Board has established clear functions reserved for the Board and those delegated to Board Committee.</p> <p>The Board Charter is subject to review and update from time to time to ensure that they remain consistent with the Board's objective, current law and practices. The Board Charter was last reviewed and revised on 24 May 2018.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 established the Code of Conduct and Ethics ("Code") for Directors in February 2014 and was last reviewed on 24 May 2018.</p> <p>The Code sets out the value uphold by the Company to maintain highest standards of integrity, transparency and accountability in the conduct of the Group's business and operations to ensure business sustainability and to conduct business in an ethical, responsible and transparent manner.</p> <p>The Code of Conduct and Ethics is incorporated in the Board Charter of the Company and available on the Company's website at www.prinsiptek.com.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 Whistleblower Policy has in place on 24 May 2018 as an avenue for all stakeholders (such as employees, shareholders, customers and suppliers) of the Group to report in good faith, any breach or suspected breach business conduct, noncompliance with legal and regulatory requirements as well as other malpractices, in a safe and confidential manner without any fear.</p> <p>The Whistleblowing Policy is available for reference at the company's website www.prinsiptek.com.</p> <p>The oversight of the Whistleblowing function is under the purview of the Chairman who shall ensure that all reported violations are properly investigated. The Chairman is also responsible for reviewing the effectiveness of the actions taken in response to all concerns raised.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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>Currently, the Board consisted of five (5) members, comprising two (2) Executive Directors (including GMD), and three (3) Independent Non-Executive Directors. The profile of each Director is presented separately in the Annual Report.</p> <p>The Company is in compliance with Paragraph 15.02 of Main Market Listing Requirements of Bursa Malaysia whereby at least two (2) Directors or 1/3 of the Board of Directors of a listed issuer, whichever is the higher, are Independent Directors.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>Tan Sri Dato' Seri Mohamad Noor Abdul Rahim have served the Board for more than 12 years. The Board is of the opinion that he has brought and will continue to bring positive contributions to the Group through his area of expertise and his understanding of its business operations.</p> <p>Thus, the Board recommends him to continue to act as Independent Director of the Company. In the coming Annual General Meeting, the Company would apply the two-tier voting process in seeking shareholders' approval for him to continue to serve as Independent Director on the Board.</p> <p>To' Puan Seri Hajjah Nur Rahmah Binti Hj Mohd Zain have served the Board for more than 9 years. The Board is of the opinion that she has brought and will continue to bring position contributions to the Group through their area of expertise and understanding of the Company's operations and recommends them to continue to act as Independent Directors of the Company. The Company would seeking shareholders' approval for her to continue to serve as Independent Directors on the Board.</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	NA
Timeframe	:	N/A

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	:	Adopted	
Explanation on application of the practice	:	The Board has incorporated a policy which limits the tenure of its independent Directors to nine years in the Board Charter which is available on the Company's website at www.prinsiptek.com .	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 appointment of a new Director is a matter for consideration and decision by the Board upon appropriate recommendation from the Nomination Committee (“NC”).</p> <p>The screening and evaluation process for potential new Directors and Directors to be nominated for re-election are delegated to the NC.</p> <p>In making the selection, the Board as assisted by the NC, also considers the following aspects:-</p> <ol style="list-style-type: none"> a) Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness. b) Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role. c) Financial integrity – the person must manage his/her debts or financial affairs prudently. d) In the case of candidates for the position of Independent Non-Executive Directors, the candidates’ ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors shall be evaluated.
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	N/A
Timeframe	:	N/A

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	:	N/A
Explanation for departure	:	<p>The Board acknowledges the recommendations of the Malaysian Code on Corporate Governance (“MCCG”) on the establishment of a gender diversity policy. The Board has yet to formalize a policy on gender diversity but will adhere to the practice of non-discrimination of any form, whether based on age, race, religion or gender, throughout the Group. This includes the selection of Board members. The Company believes in and provides equal opportunity to candidates with merit.</p> <p>The Board, through the Nomination Committee will consider the female representation when a vacancy arises. However, the appointment of a new Board member will not be guided solely by gender but will take into account the skills, experience, expertise, character, time commitment, integrity and other qualities in meeting the needs of the Company.</p>
		Although there is no formal gender diversity policy, the Board currently has one (1) female director in the Board.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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	:	N/A
Explanation for departure	:	<p>The current process with regards to the appointment of new Directors to the Board is based on the recommendation of the Nomination Committee (“NC”). The Board relies on the existing network and referrals from existing Directors, Management and major shareholders as primary means to source for new Directors.</p> <p>In evaluating potential candidates, the NC will assess directorship suitability based on objective criteria, including qualification, competencies, skills, expertise and experience, professionalism, integrity and time commitment to the Company.</p> <p>The appointment of Mr. Md. Ishak Bin Bakri as new Independent Non-Executive Directors of the Company was recommended by the existing Board.</p> <p>Moving forward, the Board and NC will include independent sources as the alternative channels for identifying suitable qualified candidates.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 Nominating Committee (“NC”) consists entirely of Non-Executive Directors, all of whom are independent.</p> <p>The NC is chaired by Tan Sri Dato’ Seri Mohamad Noor Abdul Rahim, an Independent Non-Executive Chairman.</p> <p>The Board acknowledges that the NC is a key gatekeeper in the process of recruiting Directors, evaluating their performance and driving the continuous performance of the whole Board.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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”) conducted annual review on the Board, Board Committees and individual Directors.</p> <p>The evaluation was conducted internally, facilitated by the Company Secretary. The evaluation was conducted using questionnaires that were administered by the Company Secretary which employ a self and peer rating assessment model. The results of the evaluation and recommendations were tabled to the Board for deliberation.</p> <p>In respect of the assessment for the financial year ended 30 June 2018, the NC and the Board were satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director are satisfactory. The Board was also satisfied that the Board composition in terms of size, the balance between Executive, Non-Executive and Independent Directors and mix of skills was adequate.</p> <p>The results of the assessment would form the basis of the NC’s recommendation to the Board for the re-election of Directors at the forthcoming Annual General Meeting.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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	:	Departure
Explanation on application of the practice	:	N/A
Explanation for departure	:	<p>The Board is mindful that fair remuneration is important in attracting, retaining and motivating knowledgeable and experienced directors and senior management of the calibre needed to manage the business of the Company.</p> <p>The Remuneration Committee is responsible for recommending to the Board for approval the remuneration packages of the Executive Directors and Senior Management, taking into consideration the group's and individual's performance, experience, level of responsibilities, as well as the market conditions.</p> <p>As for Non-Executive Directors, the level of fee should reflect the experience and level of responsibilities undertaken by the said Non-Executive Directors. With the recommendation from the Nominating Committee, the Board as a whole determines the fee for the Non-Executive Directors and seek approval from the Shareholders at the Annual General Meeting.</p> <p>The Board will work towards establishing the remuneration policies and procedures to determine the remuneration of directors and senior management.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 Remuneration Committee ("RC") which comprised exclusively of Independent Non-Executive Directors.</p> <p>The Remuneration Committee responsibilities include reviewing the remuneration packages, reward structure and fringe benefits applicable to Board and Senior Management and making the appropriate recommendations to the Board.</p> <p>The terms of reference of Remuneration Committee can be found at the Company's website at www.prinsiptek.com.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

Intended Outcome

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure on Directors' remuneration for the financial year ended 2018 are disclosed on named basis in the Corporate Governance Overview Statement of the Annual Report 2018.
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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	:	N/A
Explanation for departure	:	<p>Since the Company has only (1) Senior Management, the Board was of the opinion that the disclosure of the Senior Management's remuneration on personnel's name and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) or in bands of RM50,000 would not be in the best interest of the Company due to confidentiality, sensitivity and security concerns.</p> <p>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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	:	N/A

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 Chairman of Audit Committee is Md. Ishak Bin Bakri.</p> <p>The Chairman of the Audit Committee is not the Chairman of the Board, so as not to impair the objectivity of the Board's view of the Audit Committees' findings and recommendations.</p> <p>Details composition and activities of the Audit Committees are set out in the Audit Committee Report in 2018 Annual Report.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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	:	None of the members of the Audit Committee were former key audit partners of the Company's external auditors. The Board had in May 2018 approved the incorporation of the policy in the Terms of Reference of the Audit Committee, that requires 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 Audit Committee.
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee ("AC") has put in place relevant policies and procedures to oversee the financial reporting process of the Company and assess the suitability, objectivity and independence of the external auditor. These policies and procedures are stated in the AC's Terms of Reference.</p> <p>In determining the suitability, objectivity and independence of the external auditors, the Audit Committee considered the following:</p> <ol style="list-style-type: none">i. the adequacy of the experience and resources of the external auditors;ii. the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;iii. the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; andiv. whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor. <p>For the financial year ended 30 June 2018, the AC had assessed and was satisfied with the competence, audit quality, resource capacity of Messrs Morison Anuarul Azizan Chew in relation to the audit services provided. From the assessment, the AC is also satisfied that there was no threat to the objectivity and independence of the audit arising from the provision of non-audit services of the external auditors and the total fee incurred for non-audit services is not significant.</p> <p>Based on the outcome of its assessment, the AC has recommended to the Board for the shareholders' approval to be sought on the reappointment of the external auditors at the forthcoming 16th Annual General Meeting ("AGM").</p>

Explanation for departure	: N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	: N/A	
Timeframe	: N/A	

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 Committee comprises of three (3) members, all of whom are Independent Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>All members of the Audit Committee are financially literate which allows them to have sound understanding of accounting and finance in order to perform the duties that have been entrusted to it by the Board.</p> <p>In order to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules, the Audit Committee members have attended pertinent programme during the financial year.</p> <p>During the Board Meetings, the members were briefed by the External Auditors and Company Secretary on the following updates:</p> <ul style="list-style-type: none">• Financial Reporting developments;• Adoption of Malaysian Financial Reporting Standards;• Malaysian Code on Corporate Governance; and• Companies Act 2016 and the Main Market Listing Requirement.
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 had established an effective risk management and internal control framework as set out in the Statement on Risk Management and Internal Control (SORMIC).</p> <p>The Board recognises the importance of a sound system of risk management and internal control and that it is paramount that principal businesses and operations risk are continuously dealt with to safeguard shareholders' interest and the Group's assets.</p> <p>Attention therefore was placed on effectively identifying principal risks; ensuring the implementation of appropriate systems to manage key business risks; reviewing the adequacy and integrity of internal control and management information systems; and complying with the applicable rules, directives and guidelines.</p> <p>The SORMIC has been reviewed by the External Auditors and is disclosed in the Annual Report 2018.</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	N/A
Timeframe	:	N/A

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	:	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 2018.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	N/A

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 which reports directly to the Audit Committee is outsourced to an independent professional firm, i.e. Baker Tilly Monteiro Heng Governance Sdn Bhd ("Baker Tilly" or "Internal Auditors"). The internal audit function provides the Audit Committee with an independent assessment on the adequacy and effectiveness of the Group's system of internal control.</p> <p>To ensure that the internal audit function is effective and is able to function independently, the Audit Committee has reviews the following and report the same to the Board:</p> <ol style="list-style-type: none"> a. Adequacy of the scope, competency and resources of the internal audit function and that it has necessary authority to carry out its work; and b. The internal audit plan, processes, the results of internal audit assessments and investigations and that actions are taken on the recommendation. <p>The core areas reviewed by the internal auditors during the financial year ended 30 June 2018 are disclosed in the Statement on Risk Management & Internal Control.</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	N/A
Timeframe	:	N/A

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 internal audit function is currently outsourced to an independent professional firm, i.e. Baker Tilly Monteiro Heng Governance Sdn Bhd (“Baker Tilly” or “Internal Auditors”). The Internal Auditor reports functionally to the Audit Committee of the Company. This reporting relationship promotes independence and objectivity, which assures adequate consideration of audit recommendations and planned suggestive corrective actions. The activities of the Internal Auditors are guided by Annual Internal Audit Plan that are presented to and approved by the AC.</p> <p>There was a team of at least two (2) internal auditors being deployed by Baker Tilly for the internal audit work performed for the Group. The audit personnel from Baker Tilly are free from any relationships or conflicts of interest, which could impair the objectivity and independence.</p> <p>The internal audit function is carried out in accordance with Baker Tilly Internal Audit Methodology, which is closely consistent with the International Professional Practices Framework of the Institute of Internal Auditors.</p> <p>The Head of Internal Auditors from Baker Tilly, Mr Kuan Yew Choong, is a chartered member of the IIA Malaysia and he was graduated with Association of Chartered Certified Accountants and also a Member of the Malaysian Institute of Accountants.</p>
Explanation for departure	:	N/A

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

Measure	:	N/A	
Timeframe	:	N/A	

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 accurate and timely dissemination of information to the shareholders and potential investors.</p> <p>The Board have maintained an ongoing communication process to ensure that the shareholders are kept appropriately informed of major developments within the Group on a timely basis.</p> <p>The communication channels used by the Company to disseminate information on a timely basis to the shareholders are:-</p> <ul style="list-style-type: none">a) Company's announcements to Bursa Securities;b) Annual Report;c) General Meetings;d) Company's website; ande) Press releases.
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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	:	N/A	
Explanation for departure	:	Currently, the company has not adopt the integrated reporting based on globally recognised framework as it is not required for non-large companies.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	28 days' notice period is given in respect of the Company's forthcoming Annual General Meeting ("AGM") to be held on 27 November 2018, in line with the Company's Board Charter.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 Company's previous AGM, all Directors were present in person to engage directly with the shareholders for their stewardship of the Company. The Directors, the Chair of all the respective Board Committees, Senior Management and External Auditors were in attendance to respond to the shareholders' queries.</p> <p>At the forthcoming AGM, the Company's Directors, the Chair of all the respective Board Committees, Senior Management and External Auditors will be attending the AGM and provide response to questions. The Company will allocate sufficient time to shareholders and their proxies for questions.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The upcoming 16th Annual General meeting of Prinsiptek Corporation Berhad will be held at Latitude 1.01° & 1.02°, Level 1, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan.</p> <p>A shareholder of the Company can vote in person or appoint a proxy to attend and vote on his/her behalf. Voting at Annual General Meeting is by way of poll and the Company utilises electronic voting system to expedite the voting and facilitate the tabulation process in a seamless manner.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

**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.

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