

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3026
COMPANY NAME : DUTCH LADY MILK INDUSTRIES BERHAD
FINANCIAL YEAR : December 31, 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 plays an active role in the development of the Company's strategy. At each Board meeting, the Managing Director reports to the Board on various management issues such as the Company's business performance, marketing strategies, commercial performance, risk management, sustainability initiatives and other matters of strategic importance and the Board reviews and deliberates on these matters. The Board also receives a comprehensive summary of the Company's financial performance from the Finance Director for each quarterly reporting period.</p> <p>In November 2020, the Board together with Management deliberated on the financial budget for the financial year ending 31 December 2021 and the same was approved for implementation.</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 1.2

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	:	The Chairman ensures that the Company is guided by good corporate governance practices. He facilitates robust dialogue during Board meetings and draws out diverse perspective from the Board members. He always encourages input and Board members are comfortable to challenge recommendations brought forth by Management. The Chairman ensures that there is a good balance between the time allocated to governance matters and discussions on business performance and strategies during Board meetings. He also ensures that meetings focuses on key issues and are not side tracked by unnecessary topics.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The roles of the Chairman and the Managing Director are separate and there is a clear division of responsibilities between them. The Managing Director is an appointee of the major shareholder and heads the Management Team. He is primarily responsible for the day to day management of the business and operations of the Company. The Chairman is an independent director who has never assumed an executive position in the Company.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	The Company Secretary is a licensed secretary qualified to act as Company Secretary under Section 235 of the Companies Act 2016. She has legal qualifications and provides legal and company secretarial advice to the Company's Management Team and the Board as a whole. All Board members have access to the advice and services of the Company Secretary in carrying out their duties. The Company Secretary facilitates overall compliance with the Listing Requirements, the Companies Act 2016 and the recommendations in compliance with the Malaysian Code on Corporate Governance (as amended from time to time).
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	:	For each Board Meeting, the agenda and Board papers are distributed at least seven days in advance to enable Directors to have sufficient time to review the Board papers and to obtain further explanation or clarification to facilitate the decision-making process and the meaningful discharge of their fiduciary duties. All proceedings of board meetings are minuted and circulated to the Board members in advance of the next Board meeting for their comments and input.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Board has adopted a Board Charter which sets out the Board's strategic intent and outlines the Board's roles and responsibilities, the vision, mission, shared values and principles, as well as the policies and strategic development of the Company. The Board Charter specifies clearly the roles and responsibilities of the Board, the Board Committees, individual directors and management. The Charter is updated from time to time and the latest update was reviewed and approved by the Board in November 2019. The Charter is available for reference at the Company's website at www.dutchlady.com.my
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>Specific principles and procedures in the manner the Company conducts its business are clearly spelt out in the Royal FrieslandCampina (RFC) Code of Business Conduct which has been adopted by the Company. The Code of Business Conduct is known as "Compass" and is designed to set a certain standard for all employees and officers of the Company. It promotes integrity in the workplace with focus on safety, rights of employees and human rights, sustainability and avoidance of conflicts of interest. Compass also promotes integrity in business practices with focus on anti-bribery and anti-corruption, gifts and hospitality, fair competition, and fair communication. Finally, Compass focusses on the protection of the Company's interests with focus on protection of confidential information, data protection, integrity of financial reporting and the prevention of fraud. A copy of Compass is available on the Company's website at www.dutchlady.com.my.</p> <p>In addition to Compass, the Company has adopted RFC's anti-bribery and corruption policy known as the Doing Honest Business Policy ("DHB Policy"). The DHB Policy is a policy to conduct business in an honest and ethical manner. The policy has been localized to set out values in Malaysian Ringgit for easier application by the Company's employees and stakeholders. The Company's business partners are also required to conduct business in the manner set out in RFC's Business Practices for Business Partners, which the Company has adopted. Compass and the DHB Policy are published on the Company's website.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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	:	Under Compass, employees and other stakeholders have access to the Speak-Up Procedure, which serves as an avenue for employees and other stakeholders to voice out their concerns on matters relating to Compass. The Speak-Up Procedure clearly sets out a well-defined process upon which Compass-related matters can be raised in confidence and in good faith and without fear of reprisal. The Company has also established a procedure whereby certain Speak Up Reports which are of a financial or fraudulent nature will be escalated to the Company's Audit Committee. A copy of the Speak Up Procedure is available on the Company's website at www.dutchlady.com.my .
Explanation for departure	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Currently the Board has 5 independent and 4 non-independent directors but following the close of the Company's 58th Annual General Meeting (AGM), the board shall consist of 4 independent and 4 non-independent directors. Of the 4 non-independent directors, 3 are nominees of Royal FrieslandCampina N.V, and 1 is a nominee of Permodalan Nasional Berhad.</p> <p>The Company's major shareholder is a foreign co-operative of farmers. The Board considers that the current composition fairly reflects the foreign direct investment and the investment of the minority shareholders. The proportion of independent directors ensures effective checks and balances on the Board and the independent directors effectively safeguard the interest of the minority shareholders.</p> <p>Alternative:</p> <p>The Company has an equal number of independent and non-independent directors.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board shall consist of an equal number of independent and non-independent directors by 2020
Timeframe	:	Achieved

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
Explanation on application of the practice	:	Dato' Zainal Abidin bin Putih will have served on the Board for 12 years by the time of the forthcoming AGM. It has been announced on 25 February 2021 that Dato' Zainal will retire from the Board following the Company's 58 th AGM. As such, following from the AGM, none of the Independent Directors will have served on the Board for more than 9 years.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3- Step Up

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

Application	:	Not adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	The Company’s Board consists of qualified individuals with a good mix of operational and commercial experience. Members of the Board have both local and international experience and together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Applied	
Explanation on application of the practice	:	Currently, out of the 9 members currently on the Board, 4 are women. Following the close of the Company’s 58 th AGM, the Board shall consist of 4 men and 4 women. As such the Board shall then comprise of 50% women directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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	:	In respect of the appointment of all directors, the Nominating & Remuneration Committee considers shortlisted candidates based on their profiles, professional achievements and personality assessments. Appropriate candidates for independent directors are sourced through recruitment firms based on the needs of the Board. The Nominating & Remuneration Committee then ensures that the candidates are suitable and of sufficient calibre for recommendation for the approval of the Board.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Nominating & Remuneration Committee in FY2020 is the Senior Independent Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Board undertakes an internal annual evaluation of the Board's effectiveness. For FY2020, a review on Board effectiveness has been carried out using External Consultants. Thereafter an evaluation by External Consultants will be carried out on a periodic basis. The evaluation was conducted on the Board, the Nominating & Remuneration Committee, the Audit Committee, the Managing Director and on each individual Board member through a peer evaluation. Key findings are set out in the Corporate Governance Overview Statement in the Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The policy for Directors' remuneration is to provide a remuneration package needed to attract, retain and motivate directors of quality required to supervise and/or manage the business of the Company.</p> <p>The Non-Executive Directors are paid fixed annual directors' fees as members of the Board and these are approved by shareholders at the Annual General Meeting.</p> <p>The remuneration for the Managing Director of the Company is based on the human resource policies and procedures of the RFC Group. The Company follows the performance appraisal system and compensation and benefits scheme of the RFC Group. For the Managing Director, corporate and individual performance are rewarded through the use of an integrated pay benefits and bonus structure. Market competitiveness, business results and individual performance are also considered by the RFC Group in evaluating the Managing Director's remuneration.</p> <p>The Company's Remuneration Policy is available on the Company's website at www.dutchlady.com.my.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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 Company has a Nominating & Remuneration Committee. The Committee's primary responsibilities include periodically reviewing and implementing policies governing the remuneration for Non-Executive Directors and the Managing Director and to make recommendations to the Board on all elements of remuneration and terms of employment for the Directors and the Managing Director.</p> <p>The Nominating & Remuneration Committee's Terms of Reference is available on the Company's website at www.dutchlady.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 named basis for the remuneration of individual directors for FY2020 is disclosed in the CG Overview Statement in the Annual Report 2020.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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 most senior member of management is an Executive Director of the Company and his remuneration is disclosed under the remuneration of directors in the CG Overview Statement. Details of the remaining members of senior management will be shared on general terms and on an aggregated basis only as the Board is of the view that it would not be in the best interest of the Company to disclose these details given the competitiveness in the market for good senior managers in the consumer goods industry. The Board feels that the details provided are sufficiently transparent and allows stakeholders to assess the reasonableness of remuneration paid to members of senior management.</p> <p>The Board is of the view that the disclosure of remuneration details may be detrimental to its business interests, given the competitive landscape for key personnel with the requisite knowledge, technical expertise and working experience in the Company's business activities, where intense headhunting is a common industry challenge. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.</p> <p>Alternative:</p> <p>Details of the most senior member's remuneration is disclosed in the CG Overview Statement and the remuneration of the other members of senior management will be shared on general terms and on an aggregated basis only</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:	The Alternative is sufficiently transparent and allows stakeholders to assess the reasonableness of remuneration paid to members of senior management.	
Timeframe	:	Others	

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 Chairperson of the Audit Committee in FY2020 is Datin Seri Sunita Mei-Lin Rajakumar who is an Independent Non-Executive Director. She is not the Chairperson of the Board.</p> <p>It has been announced on 25 February 2021 that the Chairman of the Board, Dato' Zainal Abidin bin Putih will retire from the Board after the Company's forthcoming 58th AGM. It has also been announced that Datin Seri Sunita will relinquish her role as Chairperson of the Audit Committee and take over the role as the Chairperson of the Board. The position of Chairperson of the Audit Committee will then be taken over by Tengku Nurul Azian binti Tengku Shahrman. Tengku Nurul Azian is an Independent Non-Executive Director. She is not the Chairperson of the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit 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	:	The Board has not appointed any of the Company's former key audit partners as a member of the Audit Committee. The Audit Committee will observe a minimum two (2) year cooling-off period before any former key audit partner can be appointed as a member of the Audit Committee. This requirement is set out in the Audit Committee's Terms of Reference.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	In August 2020 the Audit Committee had a meeting with the Company's External Auditor, Messrs. PricewaterhouseCoopers (PwC), where PwC presented the annual audit plan for FY2020. In that meeting, PwC highlighted the areas of emphasis, methodology and the developments in laws and regulations and updates in new accounting standards. The External Auditor also briefed the Audit Committee on their team members and the resources allocated to the Company. After discussion and deliberation, the Audit Committee approved the audit plan. The Company also sought the confirmation of independence from PwC.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application :	Applied
Explanation on application of the practice :	<p>The members of the Audit Committee are all financially literate and have a full understanding of the financial reporting process and the financial matters discussed. The members also attend training on new rules or standards relating to the accounting standards, tax rulings or corporate governance changes. The Chairperson of the Audit Committee plays an active role in updating the other members on such new developments.</p> <p>The Chairperson of the Audit Committee, Datin Seri Sunita Mei-Lin Rajakumar, has an LLB (Hons) from the University of Bristol and qualified as a Member of the Institute of Chartered Accountants in England & Wales in 1994. She sits on Boards and chairs the Audit and Risk Committees of other public companies in Malaysia.</p> <p>Following the 58th AGM, it has also been announced that Datin Seri Sunita will relinquish her role as Chairperson of the Audit Committee and the position of Chairperson of the Audit Committee will then be taken over by Tengku Nurul Azian binti Tengku Shahrman. Tengku Nurul Azian binti Tengku Shahrman is an Advocate and Solicitor of the High Court in Malaya, a Barrister of Law of the Honourable Society of Inner Temple, and has an LLB (Hons) from the School of Oriental & African Studies, University of London. She has over 19 years of broad experience in investment banking and corporate finance and was previously the Executive Vice President & Partner of PEMANDU</p>

	Associates Sdn Bhd, a management consulting firm which is focused on public sector transformation and business turnaround with global experience. She sits on the Boards and Audit and Risk Committees of other companies in Malaysia.	
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>This role is taken up by the Audit Committee.</p> <p>The Company adopts the Enterprise Risk Management program based on the framework that was developed and issued by RFC, which is based on COSO framework model. The program establishes an Enterprise Risk Assessment (ERA) for identifying, evaluating, monitoring, reporting and managing significant business risks.</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 9.2

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 Enterprise Risk Assessment (ERA) categorises the risk in the following way:</p> <ul style="list-style-type: none">• Strategic, which are risks that affect the overall direction of the business.• Operational, which are risks that impact the delivery of the Company's products.• Financial, which are risks associated with financial processes and reporting.• Compliance, which are risks associated in relation to legal, statutory and corporate governance. <p>The risk profile of the Company is established during the annual risk assessment session facilitated by Royal FrieslandCampina N.V. (RFC). Risks identified are categorised and rated based on:</p> <ul style="list-style-type: none">• Impact on the relevant business objectives ;• Likelihood of the risks occur ; and• Potential for improvement of the way the risk is being managed, <p>taking into account the existing internal control framework and risk management measures implemented.</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 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company's Internal Controls Framework is based on the Internal Control Framework (ICF) established by Royal FrieslandCampina N.V. (RFC). ICF requires controls to be tested either quarterly, half yearly or yearly, depends on their criticality, to ensure its effectiveness, adequacy and integrity.</p> <p>The Internal Audit function reports to the Audit Committee. During the year, the Internal Auditor had 4 meetings with the Audit Committee. The Internal Auditor reports on the Company's system of internal and operational controls with focus on key area of business risks.</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>At every Audit Committee meeting the Internal Auditor updates the Audit Committee on the internal audit plan which includes the nature and scope of the internal audit activities to be covered. The Audit Committee will review the plan and to ensure that the internal audit plan benefits and compliments the external audit work plan.</p> <p>Further information on this is set out in various sections of the Corporate Governance Overview Statement, Statement of Risk Management & Internal Control and the Audit Committee Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<ul style="list-style-type: none">• The Company disseminates information to its stakeholders through the AGM, its Annual Report and the announcements made on Bursa.• The Company organizes meetings with investment analysts and fund managers periodically. The Company also actively responds to requests for discussions with institutional shareholders and analysts, locally and abroad, to provide them better insights into the Company.• The Company's corporate website provides quick access to information about the Company. The information on the corporate websites includes the corporate profile, the international corporate structure, information on the Board of Directors and the Management team, Compass and other Company policies, awards and achievements, corporate news, financial results, announcements to Bursa, minutes of general meetings and the Company's Annual Reports and Circulars to shareholders.• The Annual Report provides a comprehensive report on the Company's operations and financial performance. An online version of the full Annual Report is available and downloadable from the Company's website.• The Board also takes reasonable steps to encourage shareholder participation at general meetings. During the virtual general meeting which was held in FY2020, shareholders were encouraged to participate in the Question and Answer session on the resolutions being proposed or on the Company's operations and performance in general. Shareholders who were unable to attend virtually were allowed to appoint proxies in accordance with the Company's Constitution to attend and vote on their behalf.
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Annual Report adopts the format of an integrated report where it communicates comprehensive information of the financial results, management and discussion analysis on the operations of the Company, governance and sustainability measures and activities. The full adoption of the integrated report framework requires substantial expertise and resources. The Company shall seek to adopt the integrated reporting framework fully at an appropriate time.</p> <p>Alternative:</p> <p>Integrated reporting as set out above.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board and Management have taken reasonable steps to ensure that the reporting in the Company's Annual Report provides comprehensive information to its stakeholders. The Company shall seek to adopt the integrated reporting framework fully at an appropriate time.
Timeframe	:	Within 3 years

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	:	The Company’s Notice of AGM is published in a local newspaper and is issued to shareholders at least 28 days prior to the date of the AGM.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Company's AGM in 2020 was attended by all Directors. In accordance with the guidelines and standard operating procedures imposed during the Movement Control Order in FY2020, the directors who reside overseas, Mr. Bernaddus Hermannus Kodden and Mr. Jean Serge Krol, attended the meeting via remote participation. The other directors were physically present at the Broadcast Venue of the meeting together with the Chairman.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	The Company normally holds its meetings within the Klang Valley, in a venue which is easily accessible by its shareholders. In FY2020, the general meeting was held virtually through live streaming and online remote voting due to the COVID-19 pandemic. Information on how the shareholders can register, participate and vote during the virtual meeting was provided in the Notice of AGM which was delivered to each shareholder in accordance with the terms of the Company's Constitution.
Explanation for departure	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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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