

STOCK CODE : 9997
COMPANY NAME : PENSONIC HOLDINGS BERHAD
FINANCIAL YEAR : May 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee ("AC") and the Board meet with representatives from Management on a quarterly basis where Management reports on the performance and results of the business of the Company and the Group which are benchmarked against the previous year.</p> <p>During 2019, the Board also discussed sustainability topics such as business development and risk management. In accepting report on risk management, the Board noted update on risks which focused on strategic, operational and financial aspects as well as mitigation of the same.</p> <p>The Board had approved the annual plan (including financial budget) from the Management covering strategies for growth in the short to medium term as well as annual financial budget. In reviewing the Plan, the Board members had a robust discussion with the Executive Directors (representing Management) on the perspectives and assumptions in formulating the annual plan.</p> <p>The Board has established clear functions reserved for the Board and those delegated to Management. These, including a schedule of events that is reserved for the Board, are outlined in the Board Charter.</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

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>Dato' Seri Chew Weng Khak @ Chew Weng Kiak is the Group Executive Chairman of the Board. His profile is outlined under Profile of Directors in the Annual Report 2019.</p> <p>Dato' Seri Chairman leads governance activities on the Board, creates a conducive environment geared towards building and growing Directors' oversight and effectiveness and ensures that appropriate issues are discussed by the Board. Essentially, he ensures that no member dominates discussion so that appropriate discussions takes place and that relevant opinions among Board members are forthcoming.</p> <p>Dato' Seri Chairman also ensures that every Board resolution is put to vote with the will of majority to prevail. He also chairs the general meetings and ensures that the conduct of the same is in order by ensuring proper flow of resolutions tabled at these meetings and managing communication from the shareholders. He encourages active participation from shareholders during the questions and answers session.</p> <p>The roles and responsibilities of the Chairman of the Board are stated in the Board Charter, which is available on the Company's website at www.pensonic.com.</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

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 Board has always made the distinction that the position of the Chairman and the Group Managing Director ("GMD") does not reside with the same person to ensure organisational check and balance for better governance. The GMD is Mr Chew Chuon Ghee, Vincent. There is a clear and separate division of responsibility in the roles and duties of the Chairman and GMD.</p> <p>The GMD leads Management and is responsible for the day-to-day business and operational management of the Group and has overall responsibilities over the daily conduct of operating units, human resource management with respect to key positions in the Group's hierarchy, financial management and business affairs as well as organisational effectiveness and implementation of Board policies and decisions.</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

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretary of the Company is qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016 as she is a member of the MAICSA (Malaysian Institute of Chartered Secretaries & Administrators).</p> <p>The Company Secretary is responsible for advising the Board on regulatory requirements and corporate governance matters.</p> <p>The Company Secretary, and/or her assistant, is present at all meetings to record deliberation, issues discussed and conclusions in discharging her duties and responsibilities and also provide advice in relation to relevant regulations and legislations.</p> <p>Other roles of the Company Secretary include coordinating with Management on the preparation of Board papers with management, ensure Board procedures and applicable rules are observed and maintaining records of the Board as well as provide timely dissemination of information relevant to the Directors' roles and functions and keeping them updated on evolving regulatory requirements.</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

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>The agenda and board papers for consideration are distributed at least seven (7) days in advance before each meeting to ensure that Directors have sufficient time to study them and be properly prepared for discussion and decision-making.</p> <p>Minutes are prepared for all Board and Board Committees’ proceedings and will be confirmed and signed by the respective Chairman at the subsequent meetings. Board Committees refers to the AC, Nomination Committee (“NC”) and Remuneration Committee (“RC”).</p> <p>The Directors, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice, if so required in furtherance of their duty, at the Group’s expense.</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

There is demarcation of responsibilities between the board, board committees and management. There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Board Charter sets out the Board’s strategic roles and responsibilities in discharging its fiduciary and leadership functions. It also serves as a primary reference point on governance matters for Directors as it defines the roles and responsibilities of the Board, Board Committees, Chairman, Managing Director, Executive Director, Non- Executive Directors, Independent Directors and Company Secretary as well as Schedule of Matters Reserved for collective decision 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

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 Group is committed to maintaining sound standards of ethics, professionalism and integrity in all business dealings. As such, the Group has Code of Conduct for Directors and Code of Ethics in place.</p> <p>On 13 September 2018, the Board formalised the Code of Conduct and Code of Ethics.</p> <p>Reading together, these reflect the Board’s commitment and underscore tone from the top for proper ethical behaviour expected of the Directors and employees. These documents provide guidance to Directors and employees in their decision-making in that these are correct and comply with high ethical standards particularly those work-related decisions which are highly judgmental.</p> <p>The Code of Conduct and Ethics is available in the Company’s corporate website at www.pensonic.com</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	:	On 13 September 2018, the Board adopted a Whistleblowing Policy. All malpractices or wrongdoings reported by the whistleblower are reported to the Chairman of the Audit Committee ("AC") and may be set forth in writing or verbally. The Whistleblowing Policy is available on the Company's corporate website at www.pensonic.com .
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 4.1

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>The current Board comprised of seven (7) members with three (3) being Independent Non-Executive Directors ("INEDs"). The Board is in compliance with Chapter 15.02 of the Main Market Listing Requirements of Bursa Securities (Bursa Malaysia Securities Berhad) ("MMLR"), which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are INEDs.</p> <p>The Board is mindful that it does not comprise at least half of INEDs as it is of the view that the present INEDs, with the breadth of their professional background, skills and academic qualifications, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinions and viewpoints.</p> <p>The current composition of the Board Committees, made up of only INEDs affirmed the Board's commitment towards independence in Board leadership and provide strong check and balance in the Board's governance function. Therefore, the lack of the necessary ratio of INEDs has not jeopardise the independence of Board deliberations and all decisions have been made in the best interest of the Company and the Group.</p> <p>Nonetheless, the Board will address Board succession planning to ensure that INEDs form 50% of Board composition.</p>
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 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
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 4.3 - 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	:	This is not adopted in view that the Company does not fall within the definition of "Large Companies".

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supportive of diversity on the Board and in Senior Management team.</p> <p>Appointment of members of the Board and Senior Management team are based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.</p> <p>The Directors, with their diverse background and professional specialisation, collectively, bring with them a wealth of experience and expertise in areas such as general management and operations, commercial, finance and accounting, corporate affairs, manufacturing, sales and marketing, business, tax, product development, shipping and logistics.</p>
Explanation for departure	:	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supportive of gender diversity on the Board and in senior management team. One (1) out of the seven (7) Directors of the Company is a female.</p> <p>Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the collective opinion that there is no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Nomination Committee and the Board will consider gender diversity as part of its future selection process and will look into increasing female board representation going forward.</p>
Explanation for departure	:	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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 the past, the Board has considered candidates proposed by unrelated third party. There was no new appointment to the Board during the year under review. Nonetheless, the Board will continue to seek out recommendations from unrelated third party for any new appointment.	
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 NC comprised solely of INEDs and its present composition is as follows:
		Chairman Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim
		Members Dato' Tahir Jalaluddin Bin Hussain Ong Huey Min, Lindy
		The Committee would meet at least once (1) annually with additional meetings convened on as and when needed basis. The NC's key duties and key activities are as disclosed in the Annual Report 2019. The Terms of Reference ("TOR") of the Committee is accessible for reference on the corporate website at www.pensonic.com
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	:	<p>The INEDs are assessed annually by the Nomination Committee on behalf of the Board. Following an assessment carried out for financial year ended 31 May 2019 ("FY2019"), the Board is satisfied with the level of independence demonstrated by the INEDs and their ability to provide unbiased impartial and objective opinion during meetings and act in the best interest of the Company.</p> <p>The Director who is subject to re-election and/or re-appointment at next Annual General Meeting ("AGM") is assessed by the Nomination Committee before recommendation is made to the Board and shareholders for re- election and/or re-appointment.</p> <p>Appropriate assessment and recommendation by the Nomination Committee is based on the annual assessment conducted.</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 6.1

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 objective of the Group's Remuneration Policy is to attract and retain the Directors required to lead and control the Group effectively.</p> <p>The executive Board members played no part in deciding their own remuneration and the respective Board members shall abstain from all discussion pertaining to their remuneration.</p> <p>In the case of the executive Board members, the components of their remuneration package are linked to individual and corporate performance. As for Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities and the onerous challenges in discharging their fiduciary duties.</p> <p>The Directors' fees reflect the broad-based role and responsibilities as well as time commitment to the Group that go with Board membership.</p> <p>The Committee met once (1) times during the year to consider the remuneration package for the Executive Board members as well as Directors' fees and benefits payable for the Non-Executive Directors.</p> <p>The Remuneration Policy is available for reference on the corporate website at www.pensonic.com</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	:	The NC comprised solely of INEDs and its present composition is as follows:
		Chairman Dato' Tahir Jalaluddin Bin Hussain
		Members Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim Ong Huey Min, Lindy
		The key duties of the RC are as disclosed in the Annual Report 2019 and its TOR is available on the corporate website at www.pensonic.com
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 7.1

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	:	<p>The remuneration received / receivable by the Directors of the Company for FY2019 is as tabulated:</p> <table border="1"> <thead> <tr> <th rowspan="3">Directors</th> <th colspan="3">Received or to be received from</th> <th rowspan="3">Total (RM)</th> </tr> <tr> <th>the Company (RM)</th> <th colspan="2">the Group (RM)</th> </tr> <tr> <th>Fees</th> <th>Allowance</th> <th>Salaries & other emoluments ¹</th> </tr> </thead> <tbody> <tr> <td colspan="5">Non-Executive Directors</td> </tr> <tr> <td>Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim</td> <td>40,000</td> <td>-</td> <td>-</td> <td>40,000</td> </tr> <tr> <td>Dato' Tahir Jalaluddin Bin Hussain</td> <td>40,000</td> <td>-</td> <td>-</td> <td>40,000</td> </tr> <tr> <td>Ong Huey Min, Lindy</td> <td>62,000</td> <td>-</td> <td>-</td> <td>62,000</td> </tr> <tr> <td>Sub-total</td> <td>142,000</td> <td>-</td> <td>-</td> <td>142,000</td> </tr> <tr> <td colspan="5">Executive Directors</td> </tr> <tr> <td>Dato' Seri Chew Weng Khak @ Chew Weng Kiak</td> <td>20,000</td> <td>-</td> <td>550,000</td> <td>570,000</td> </tr> <tr> <td>Chew Chuon Ghee, Vincent</td> <td>20,000</td> <td>-</td> <td>591,313</td> <td>611,313</td> </tr> <tr> <td>Chew Chuon Jin, Dixon</td> <td>20,000</td> <td>-</td> <td>605,384</td> <td>626,100</td> </tr> <tr> <td>Chew Chuon Fang, Nelson</td> <td>20,000</td> <td>-</td> <td>553,570</td> <td>574,048</td> </tr> <tr> <td>Sub-total</td> <td>80,000</td> <td>-</td> <td>2,300,267</td> <td>2,380,267</td> </tr> <tr> <td>Grand total</td> <td>222,000</td> <td>-</td> <td>2,300,267</td> <td>2,522,267</td> </tr> </tbody> </table> <p>Note: ^{1.} This includes bonus as well as statutory contributions</p>	Directors	Received or to be received from			Total (RM)	the Company (RM)	the Group (RM)		Fees	Allowance	Salaries & other emoluments ¹	Non-Executive Directors					Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim	40,000	-	-	40,000	Dato' Tahir Jalaluddin Bin Hussain	40,000	-	-	40,000	Ong Huey Min, Lindy	62,000	-	-	62,000	Sub-total	142,000	-	-	142,000	Executive Directors					Dato' Seri Chew Weng Khak @ Chew Weng Kiak	20,000	-	550,000	570,000	Chew Chuon Ghee, Vincent	20,000	-	591,313	611,313	Chew Chuon Jin, Dixon	20,000	-	605,384	626,100	Chew Chuon Fang, Nelson	20,000	-	553,570	574,048	Sub-total	80,000	-	2,300,267	2,380,267	Grand total	222,000	-	2,300,267	2,522,267
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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	:	Given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment and the importance of ensuring stability and continuity of business operations with a competent and experienced Management team in place, the Board takes the view that there is no necessity for the Group to disclose the names of the Company’s Senior Management personnel who are not Directors or the CEO.
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 7.3 - 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	:	This is Not Adopted in view that the Company does not fall within the definition of "Large Companies".

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	:	Ong Huey Min, Lindy is the Chairman of the AC. Details on the composition, TOR and other pertinent facts of the AC is outlined under the AC Report in the Annual Report 2019.
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 an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>None of the members of the Board was former key audit partner. Hence, no former key audit partner is appointed to the AC. As such, there was no need to establish such policy presently. The policy will be established when the need arise in future.</p> <p>The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC is a former key audit partner.</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

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The AC undertakes an annual assessment of the suitability and independence of the external auditors and is satisfied with the technical competency, quality of audit engagement and independence of the external auditors.</p> <p>The AC meets with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company’s financial statements. At least once a year and whenever necessary, the AC meets with the external auditors without the presence of executive Board members or Management personnel, to allow the AC and the external auditors to exchange independent views on matters which require the AC’s attention.</p> <p>The only recurring non-audit service provided by the external auditors is the review of Statement on Risk Management and Internal Control (“SORMIC”).</p> <p>The external auditors have confirmed their independence throughout the conduct of the audit engagement in accordance with professional and regulatory requirements.</p> <p>A summary of activities of the AC during the financial period under review is set out in the AC Report in the Annual Report 2019.</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

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	:	Although not required to observe this Step-Up, the Board observed and valued the independence of the AC as the AC comprised solely of INEDs as tabulated below:
		Chairman Ong Huey Min, Lindy
		Members Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim Dato' Tahir Jalaluddin Bin Hussain

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	:	The AC currently comprises of members with professional experience in financial, taxation, business and economic environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the AC the ability to effectively discharge their roles and responsibilities.
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

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 recognises the importance of sound internal controls which encompass risk management practices as well as financial, operational and compliance controls on a quarterly basis. In this respect, the Board affirms its overall responsibility for the Group’s systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems.</p> <p>The SORMIC provides an overview on the state of internal controls and risk management within the Group.</p> <p>Continuous reviews are carried out by the management and the Risk Management Committee (“RMC”) to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Update are provided by Management to the Board annually.</p> <p>The findings of the internal audit function are reported to the AC regularly.</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

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognizes that identification, evaluation and management of significant risks faced by the Group is an ongoing process. The AC reviews internal control issues identified by the management and internal auditors and evaluates the adequacy and effectiveness of the Group’s risk management and internal control system. Reports are provided to the Board with exception noted for attention, if so needed. The RMC reports to the Board annually on risk management of the Group.</p> <p>The GMD and Group Financial Controller have given their assurance to the Board that the Group’s risk management and internal control have been operating adequately and effectively in all material aspects during the year and up to the date of this Statement. Taking this assurance into consideration, the Board is of the view that the systems of internal control and the risk management is considered adequate for the Group’s business operations.</p> <p>The SORMIC, which is included in the Annual Report 2019, provides an overview on the state of internal controls and risk management within the Group.</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

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	:	This is not adopted in view that the Company does not fall within the definition of "Large Companies". The risk management functions are incorporated into the TOR of the AC. A management level RMC was established on 30 July 2018 concurrent with the appointment of the GMD as Chief Risk Officer. The RMC is populated by all General Managers and Heads of Departments.

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	:	The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm which is sufficiently resourced to provide the services that meet with the Group’s required service level. The activities of the internal auditors during the financial period are set out in the AC Report in the Annual Report 2019.
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

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 AC is assisted by the internal audit function which is outsourced to an independent consulting firm, JWC Consulting Sdn. Bhd. ("JWC") headed by Ms. Joyce Wong Ai May. JWC is a member of the Institute of the Internal Auditors Malaysia and has sufficient resources to provide services that meet with the Group's required service level. The expenses incurred for internal audit amounted to RM30,000 for FY2019.</p> <p>JWC has been able to provide reasonable assurance that the Group's system of internal control and risk Management is satisfactory and operating effectively. The internal auditors adopt a risk-based approach towards the planning and conduct of their audits, and this is consistent with the Group's approach in designing, implementing and monitoring its internal control system.</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

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 Group recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations. The Group aims to build long-term relationships with shareholders and potential investors through appropriate channels for disclosure of information.</p> <p>The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group’s business activities and financial performance.</p> <p>Investors are provided with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions.</p> <p>The GMD is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board.</p> <p>The corporate website at www.pensonic.com is for shareholders and the public to access information on the Group. Stakeholders can also at any time seek clarification or raise queries by email through the corporate 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

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	:	This is not applicable to the Company in view that the Company does not fall within the definition of "Large Companies".
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 12.1

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 notice for the upcoming 25th AGM in 2019 has been provided more than twenty-eight (28) days in advance to enable shareholders to make adequate preparation.
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	:	All Directors had attended the 24 th AGM held on 25 October 2018.	
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Based on the past trend of number of shareholders, the Company does not have a large number of shareholders. Also, a large majority of shareholders are Malaysians. Further, all general meetings are held at principal office in Penang which is easily accessible to all shareholders. As such, the concern over voting in absentia and/or remote shareholders' participation at AGM is not applicable.</p> <p>As of now, the Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders are unable to attend and vote in person at general meetings and maintain the same location for the AGM for the past years.</p>
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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