

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5436
COMPANY NAME : Perusahaan Sadur Timah Malaysia (Perstima) Berhad
FINANCIAL YEAR : March 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 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 of Directors ("Board") of Perusahaan Sadur Timah Malaysia (Perstima) Berhad ("Perstima" or "the Company") acknowledges that it is ultimately accountable and responsible for the overall performance and affairs of the Company by overseeing and appraising the Company's strategies, policies and performance. While the Management is responsible for day-to-day management and operations of Perstima.</p> <p>The Board Charter sets out the principles for the operation of the Board and the Group that describe the functions of the Board and those functions delegated to Management of the Company. The Board reviews its Board Charter regularly and updates the Board Charter to ensure it complies with legislations and best practices in the operations of the Company. The Board Charter was last reviewed on 5 July 2018 in line with the practices in the Malaysian Code on Corporate Governance ("MCCG") and is available on the Company's website at www.perstima.com.my.</p> <p>During the quarterly Board meetings held, the Board reviewed and assessed the Management's performance and these processes were documented in the Board's minutes of meeting.</p> <p>The Board delegates specific responsibilities to Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee to support and assist in discharging its duties and responsibilities. Each committee operates its functions in accordance with its terms of reference which are periodically reviewed by the Board. The Chairman of the respective Board Committees reports to the Board on key matters deliberated at the respective Board Committee meetings and makes recommendations to the Board for final decision, where necessary. The terms of reference of the respective Board Committees are available on the Company's website at www.perstima.com.my.</p> <p>Nevertheless, the Board remains ultimately responsible for corporate</p>

	governance and the affairs of the Company. While at all times, the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by an Independent Non-Executive Director, namely Dato' Wee Hoe Soon @ Gooi Hoe Soon. He was first appointed to the Board on 24 September 2013. He was subsequently appointed as Chairman of the Board of Directors on 16 October 2013 to instil good corporate governance practices, leadership and effectiveness of the Board.</p> <p>The roles of the Chairman are enshrined in the Board Charter which include chairing general meeting of shareholders, representing the Board to the shareholders and communicating the Board's position, leading the Board by facilitating constructive discussion and debate during Board meetings, determining in consultation with Management the agenda for the Board's deliberations and ensuring that the Board and its Committees are fully supplied with the information and resources necessary to discharge its duties effectively. The review of Board responsibilities and effectiveness is conducted by the Board periodically.</p> <p>Detailed roles and responsibilities of the Chairman are set out in the Board Charter published on the Company's website at www.perstima.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of exercising objective oversight over Management in order to guard the interest of the Company and its stakeholders. Stemming from this, the Board aims to ensure that there is an appropriate balance of power and authority in the Company to prevent any single individual from dominating deliberations and the decision-making process.</p> <p>Appropriately, the positions of Chairman and Managing Director ("MD") are held by two different individuals. The position of Chairman is held by Dato' Wee Hoe Soon @ Gooi Hoe Soon whilst the position of MD is held by Mr Hiroaki Yano, who was appointed on 1 April 2017.</p> <p>The MD is responsible for managing day-to-day business operations of the Group with powers, discretions and delegations authorised from time to time by the Board.</p> <p>The respective duties and responsibilities of the Chairman and MD are clearly articulated in the Board Charter.</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 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by two (2) suitably qualified and competent Company Secretaries, namely Tai Yit Chan and Chan Yoke Peng. The Company Secretaries play an advisory role to the Board and are qualified under Section 235(2) of the Companies Act 2016, experienced, and competent in performing their duties. The information of their membership with relevant professional bodies can be found in Corporate Information of the Annual Report.</p> <p>The Board has ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.</p> <p>The Board is also regularly apprised and advised by both Company Secretaries on statutory and regulatory updates and requirements as well as pertinent governance matters. In discharging their role as counsels to the Board, the Company Secretaries also ensure proper supply of relevant information as well as the accuracy and adequacy of meeting materials, recording of meeting minutes and resolutions of the Board and Board Committees.</p> <p>The Company Secretaries constantly keep themselves abreast of changes in the realm of corporate governance through continuous professional development. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising Company Secretaries. Detailed information on the functional accountabilities of the Company Secretaries is encapsulated in the Board Charter.</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	:		
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Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is provided with Notice of Board meetings setting out the agenda and sent to the Directors at least seven (7) days prior to the meeting.</p> <p>The relevant agenda papers and a set of Board papers are given to the Directors at least five (5) business days prior to every Board meeting for Directors' review, to enable them to obtain further information and explanation, where necessary.</p> <p>Upon conclusion of the meeting, the minutes of meetings of Board and Board Committees are prepared within a reasonable period. The draft minutes are circulated together with the Board papers to members of the Board and Board Committee members at the following Board meeting.</p> <p>The minutes of meetings records the decisions, including key deliberations, rationale for each decision made and any concerns or dissenting issues. In addition to the provision, the Directors, either as a group or individually, may upon obtaining prior Board's approval seek independent advice, where necessary, at the Company's expenses on any matters in relation to the discharge of their duties.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Board Charter to clearly set out the roles and responsibilities of the Chairman, MD, Board Committees, Independent Director, Tenure of Directors, Company Secretaries, Communication with stakeholders and Board Structure and procedures. The Board Charter serves as a primary reference point on governance matters as well as a guideline for newly appointed Directors.</p> <p>The Board has reserved a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes strategic issues and planning, formulation of policies, material acquisition and disposal of assets, implementing an appropriate system of risk management, approval of the financial statements, financing and borrowing activities, ensuring regulatory compliance, reviewing the adequacy and integrity of internal controls, overseeing the investment and business of the Group, limit of authority and conflict of interest issue relating to a substantial shareholder or a Director including approving related party transactions.</p> <p>In developing and reviewing the Board Charter, the Board has taken into account the applicable rules, laws and regulations as well as internal policies.</p> <p>The Board Charter is periodically reviewed by the Board and updated based on the prevailing regulatory promulgations. The Board Charter was last reviewed on 5 July 2018 and is available on the Company's website at www.perstima.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 board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Code of Ethics and Standard of Conduct that aims to outline the standards of business conduct and ethical behaviour which our Directors should possess in discharging their duties and responsibilities, and to enhance the high standards of personal integrity and professionalism of the Directors.</p> <p>The Code of Ethics and Standard of Conduct is available on the Company's website at www.perstima.com.my.</p> <p>The Board reviews the Code of Ethics and Standard of Conduct periodically or as and when the need arises to ensure it is kept contemporaneous.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Whistle Blowing Policy to inculcate the culture of good business ethics and governance within the Group and provides a clear line of communication and reporting of genuine concerns for employees and other stakeholders.</p> <p>The policy outlines the relevant procedures such as when, how and to whom a concern may be properly raised about the genuinely suspected or instances of wrongdoing at the Company and its subsidiaries. The identity of the whistleblower is accorded protection of strict confidentiality of identity unless otherwise required by law or for purpose by or against the Company</p> <p>It is the Audit Committee's prerogative to decide whether to initiate the investigation.</p> <p>The details can be found on the Company's website at www.perstima.com.my and is subject to periodic review by the Audit Committee.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges that having at least half of the Board to consist of Independent Directors would undeniably elevate objectivity whilst preventing dominance and complacency within the boardroom.</p> <p>The Board currently has six (6) members comprising three (3) Independent Non-Executive Directors (“INEDs”), two (2) Non-Independent Non-Executive Directors and one (1) Executive Director ensuring 50% of the Board comprises of Independent Directors. A brief profile of each Director is presented in the Company’s Annual Report 2019.</p> <p>The current size and composition of the Board is within the range which is appropriate. The Board believes that the current size of the Board is sufficient to enable its Committees to operate and being dynamic and responsive to the needs of the Group.</p> <p>An annual assessment of independence of the INEDs would be conducted on annual basis. Based on the evaluation results, the Board was satisfied that each INEDs has fulfilled the independence criteria set out in the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and they continue to demonstrate their independence through their engagement in all meetings, providing objective challenge to the Management and bringing independent judgment to decisions taken by 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

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application :	Applied
Explanation on application of the practice :	<p>The Board conducts regular reviews of its composition with the aim to ensure it achieves a diverse Board which is able to unearth a breadth of perspectives. In sourcing for suitable candidates, the Company takes into account the benefits of having different facets of diversity including gender, age, cultural, educational background, ethnicity, nationality, professional experience, skills, and knowledge.</p> <p>The Board includes a balanced composition of Executive, Non-Executive Directors and Independent Non-Executive Directors so that there is a strong element of independence in the Board. Retaining Directors and Senior Management personnel based on merit, in the context of skills, time commitment and experience, in order for the Board and Management to be effective; Ethnic diversity in the boardroom would be encouraged as it provides advantages that can help a company prosper inclusive but not limited to sharing of knowledge in different markets to enhance the Company's global presence as well as sharing of viewpoints by Directors from different ethnic background as when a variety of viewpoints are thrown into the problem-solving mix, new and innovative solutions can be reached. There is no specific target of the board in terms of ethnic of its board members or members of Senior Management. The Board with a wide range of age has the advantage of creating a dynamic, multi-generational workforce with a diverse range of skill sets that are beneficial to the Company.</p> <p>On regular basis, the Nomination Committee is tasked to discuss the measurable objectives for achieving diversity on the Board and Senior Management and recommend them to the Board for adoption. At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.</p> <p>The Board is currently made up of members with a mix of skill sets, knowledge and experience (e.g. accounting, finance, banking, engineering, legal, marketing/sales, taxation, human resource and business management) and age (46-58).</p>
Explanation for departure :	

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

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Applied	
Explanation on application of the practice	:	The Board views that it is important to have boardroom diversity such as diversity in ethnicity, gender and age. The current composition of the Board comprised with two (2) women Directors out of a total of six (6) Directors, which bring the percentage of women board members to 33.33%.	
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The current process with regards to the appointment of new directors to the Board is based on the recommendation from the Nomination Committee. The Board relies on the existing network and referrals from directors and major shareholder as primary means to source for new directors as they represent a tried and tested method of sourcing high-calibre directors with a sound understanding of the business.
		The Directors appointment process is carried out based on a methodical process undertaken by the Nomination Committee. Candidates recommended are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in paragraph 2.20A of the MMLR.
		Detailed information on the process undertaken by the Nomination Committee including its process of identifying and appointing a candidate can be found in the Terms of Reference of the Nomination Committee on the Company's website at www.perstima.com.my .
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Nomination Committee may consider seeking independent sources (e.g. directors' registry, advertisement or recruitment agency) to identify qualified candidates from the independent sources in addition from the Directors, Management or Shareholders of the Company for its assessment before recommending to the Board based on criteria set.
Timeframe	:	Within 2 years.

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee is chaired by an Independent Director, namely Mr Dominic Aw Kian-Wee.</p> <p>The Board acknowledges that an effective recruitment and evaluation process of Directors is the bedrock of a high-performing Board. The Board therefore entrusts to Mr Dominic Aw Kian-Wee, as an Independent Director, is the most suitable and qualified person to lead the conduct of the process in an objective manner.</p> <p>In discharging his duties as the Chairman of the Nomination Committee, he undertakes to perform the following:-</p> <ul style="list-style-type: none"> • lead the annual reviewing of Board Effectiveness Evaluation, ensuring that the performance of the Board, Board Committees and each individual director is assessed objectively and holistically; • lead the succession planning and appointment of Board members as well as Senior Management, if any; • lead the assessment of Directors' training needs periodically with the aim of devising relevant professional development programmes based on such assessment for recommendation to the Board; • lead the assessment on the size and composition of the Board; and • lead the assessment on independence of Independent Directors.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Board has established a Directors' Assessment Policy which sets out the criteria to be used in the assessment of Directors. This includes Strategic, Ethical and Value-driven, Competency and Capability and Commitment.</p> <p>Below are some of the questions on the assessment procedures: -</p> <ol style="list-style-type: none">1. Does the Board review the divisions of responsibilities to reflect changing business circumstances which the Company may experience?2. Have probable or potential areas of conflicts that may impair independence of the Independent Directors been resolved?3. Does the Board have the right blend of knowledge and experience to optimise performance and strategy?4. Are the right matters for deliberation and decision being reserved for the Board?5. Does the Board work functionally as a team through a mutually respectful and dynamic working relationship that fosters trust and esteem?6. Does the Board establish its own performance criteria for its directors (addressing attendance, preparedness, and participation with candour)? <p>The Nomination Committee has met once in the financial year ended 31 March 2019 on 5 July 2019, which were attended by all Nomination Committee members. Below is a summary of the activities undertaken by the Nomination Committee for the financial year ended 31 March 2019:-</p> <ul style="list-style-type: none">• Conducted annual assessment on the effectiveness of the Board and Committees covering areas such as Board structure and operation, management relationship with the Board, Board's role and responsibilities, the required mix of skills and experience of the Directors, time commitments, skills, characters, experiences, integrity and competencies to effectively discharge the role as a Director and reported the

	<p>findings in the Board meeting.</p> <ul style="list-style-type: none"> • Reviewed and assessed the independence of the Independent Directors of the Company. • Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to Clause 99 of the Constitution of the Company at forthcoming 41st AGM. The Directors standing for retirement by rotation and subject to re-election at the forthcoming AGM are Dato' Wee Hoe Soon @ Gooi Hoe Soon and Mr Dominic Aw Kian-Wee. • Reviewed and discussed the suitable training programme for continuous development of Directors. <p>Based on the evaluation results, the Board and the Nomination Committee concluded the following that:-</p> <ol style="list-style-type: none"> (a) The Directors had discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors; (b) The Board and Board Committees had contributed positively to the Group and were operating in an effective manner; (c) The Board Chairman had performed in an excellent manner and contributed to the Board; (d) The performance of the Audit Committee, Nomination Committee and Remuneration Committee were found to be effective and consistently exceeding expectations; (e) The Directors demonstrated good character, experience, integrity, competence and possess the necessary traits and time to effectively serve on the Board or the Company, as the case may be; and (f) The Independent Directors had demonstrated their independence through their engagement in meetings and provided objective challenges to the Management as well as independent judgment to decisions made by the Board. <p>The Terms of Reference of the Nomination Committee is made available on the Company's website at www.perstima.com.my.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	

Timeframe	:		
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Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised and adopted policies and procedures to determine the remuneration of directors and senior management. The policies and procedures are premised on the need for the remuneration practices of the Company to be competitive, ensuring the Company is able to attract and retain high-calibre Directors.</p> <p>The remuneration package for Executive Directors is structured to link rewards to corporate and individual performance while Non-Executive Directors' remuneration reflects the experience and level of responsibilities undertaken by individual Non-Executive Directors.</p> <p>The policies and procedures are periodically reviewed by the Board and made available on the Company's website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Remuneration Committee consists of four (4) members which comprises exclusively of Non-Executive Directors, namely Mr Rin Nan Yoong, the Chairman of the Remuneration Committee, Dato' Wee Hoe Soon @ Gooi Hoe Soon, Mr Dominic Aw Kian-Wee and Puan Mastura Binti Mansor.</p> <p>The Remuneration Committee is responsible for considering and recommending the following matters to the Board for its approval:-</p> <ul style="list-style-type: none">(i) To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director drawing from outside advice as necessary.(ii) To recommend to the Board any performance related pay schemes for Executive Directors.(iii) To review Executive Directors' scope of service contracts.(iv) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfil its functions. <p>The Remuneration Committee's Terms of Reference is periodically reviewed by the Board and disclosed on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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	:	Detailed disclosure on named basis for the remuneration of individual directors (both the Company and the Group) has been disclosed in the Company's Annual Report 2019.	
Explanation for departure	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure								
Explanation on application of the practice	:									
Explanation for departure	:	<p>The Remuneration Committee and the Board are of the view that the disclosure of the Senior Management's remuneration components (salary, bonus, benefits in-kind and other emoluments) would not be in the best interest of the Group due to confidentiality and risk of talent attrition attributed to the highly competitive environment for scarce human resources in the tinplate industry.</p> <p>Nevertheless, below is the remuneration of the top five (5) management of the Group falls into the following bands of remuneration:-</p> <table border="1"> <thead> <tr> <th>Range of Remuneration</th> <th>Top five (5) salaries</th> </tr> </thead> <tbody> <tr> <td>RM150,000 – RM199,999</td> <td>3</td> </tr> <tr> <td>RM200,000 – RM249,999</td> <td>2</td> </tr> <tr> <td>Total</td> <td>5</td> </tr> </tbody> </table> <p>The Board wishes to give assurance that the remuneration of the Senior Management commensurate with their individual performances, taking into consideration the Group's performance.</p>	Range of Remuneration	Top five (5) salaries	RM150,000 – RM199,999	3	RM200,000 – RM249,999	2	Total	5
Range of Remuneration	Top five (5) salaries									
RM150,000 – RM199,999	3									
RM200,000 – RM249,999	2									
Total	5									
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>										
Measure	:									
Timeframe	:									

Intended Outcome

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

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	<p>Puan Mastura Binti Mansor is an Independent Director and was re-designated as Chairman of Audit Committee on 5 July 2018. The Chairman of the Board is Dato' Wee Hoe Soon @ Gooi Hoe Soon.</p> <p>As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.</p> <p>Her full profile can be found in the Company's Annual Report 2019.</p> <p>The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of Reference of the Audit Committee, which is also available on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Terms of Reference of the Audit Committee require 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.</p> <p>This is to ensure that the independence of the audit process is safeguarded from the potential threats and conflicts which may arise when a former key audit partner joins the Company.</p> <p>To date, the Company has not appointed any former key audit partner as Director of the Company.</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 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognised the value of an effective Audit Committee in ensuring the integrity in reporting and reliability of audit quality in assisting the investors to make informed decision. The Board had on 5 July 2018 formalised the procedures in assessing the suitability, objectivity and independence of the external auditor.</p> <p>The Audit Committee had conducted an annual assessment of the external auditors for the year 2019. Areas of assessment include technical competencies, capabilities, adequacy of specialist support and senior audit partners' accessibility and time commitment. The external auditors had confirmed to the Board their independence in writing by providing both audit and non-audit services up to the date of this report.</p> <p>Following the review of the assessment, the Audit Committee was satisfied with Messrs KPMG PLT's technical competency and audit independence and recommended the re-appointment of Messrs KPMG PLT for shareholders' approval at the forthcoming 41st Annual General Meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	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 Audit Committee assists the Board in the effective discharge of its responsibilities in the area of financial reporting of the Group. The Audit Committee currently comprises majority of Independent Non-Executive Directors, namely Puan Mastura Binti Mansor (Chairperson), Dato' Wee Hoe Soon @ Gooi Hoe Soon, Mr Dominic Aw Kian-Wee, Mr Rin Nan Yoong and Ms Ranko Kume.</p> <p>The Audit Committee possess a wide range of skills and the requisite financial literacy to discharge its duties effectively. Dato' Wee Hoe Soon @ Gooi Hoe Soon is a member of Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants, and thus, fulfilling the requirement of Paragraph 15.09(1)(c) of the MMLR of Bursa Securities which requires at least one (1) member of the Audit Committee to be a member of a professional accountancy body.</p> <p>Through the Nomination Committee, the Board reviews the terms of office of the Audit Committee and assess the performance of the Audit Committee annually.</p> <p>All the members of Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules to enable them to sustain their active participation in the functions of the Audit Committee. Details of their training are disclosed under the Director's Training in the Company's Annual Report 2019.</p> <p>During the Audit Committee Meetings, the members of the Audit Committee were briefed by the external auditors on the following key areas:-</p> <ul style="list-style-type: none">• Financial Reporting developments;• Adoption of Malaysian Financial Reporting Standards;

	<ul style="list-style-type: none"> Malaysian Code on Corporate Governance (where appropriate); and Other changes in regulatory environment.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Perstima is ultimately responsible for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework. The Board has in place an ongoing process for identifying, evaluating, monitoring and managing the principal risks that may affect the achievement of business objectives of the Group.</p> <p>The Board through Audit Committee, reviews the significant risks identified regularly to ensure sufficient measures are taken to mitigate the risk. The Board is also assisted by the Audit Committee in reviewing the adequacy and the effectiveness of the Company's risk management and internal control framework.</p> <p>In relation to internal control framework, the internal audit function which is outsourced to a professional services firm and reports directly to the Audit Committee, provide the Audit Committee and Board with the assurance they require pertaining to the adequacy and effectiveness of internal control system.</p> <p>Quarterly financial results and annual financial statements are also reviewed by the Audit Committee to ensure information to be disclosed therein gives a true and fair view of the financial position of the Group and of the Company for approval by the Board.</p> <p>Furthermore, the external auditor also provides the required assurance to the Board on the integrity of the Company's financial reporting.</p> <p>Besides the above, Management has also put in place policies and procedures to ensure that Management's directives to mitigate risks for the achievement of objectives are carried out.</p> <p>Details of the Risk Management and Internal Control Framework put in place during the financial year ended 31 March 2019 can be found in the Statement of Risk Management and Internal Control in the Annual Report 2019 of the Company.</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>Management is responsible to manage the key business risks of the Group and implement appropriate internal control systems to manage those risks. The Board via the Audit Committee reviews the adequacy and effectiveness of the risk management framework and system of internal controls, and the policies and compliance procedures with respect to business practices.</p> <p>The key features of Perstima's risk management and internal control framework are disclosed in the Statement of Risk Management and Internal Control of the Company's Annual Report 2019, including the adoption of internationally recognised risk management frameworks, key risks areas and relevant risk responses in mitigating the risk exposures.</p> <p>The Internal Audit function assists the Audit Committee in evaluating the effectiveness of the Company's risk management and internal control system through its Internal Audit Plan. The Board also obtains such assurance from Management and other assurance providers in ensuring the adequacy and effectiveness of its risk management and internal control systems.</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 Internal Audit Function of the Company is carried out by the outsourced Internal Auditors, Shinewing TY Teoh Risk and Governance Sdn. Bhd. to provide an independent assurance to the Board on the effectiveness and adequacy of the Group's system of internal control. Details of the internal audit function are set out in the Statement of Risk Management and Internal Control and Audit Committee Report.</p> <p>The Head of internal audit reports directly to the Audit Committee and their performance is reviewed by the Audit Committee on an annual basis and the last evaluation was done on 5 July 2019.</p> <p>The Internal Auditor attends and reports at Audit Committee meeting on reviews conducted twice a year.</p> <p>The Audit Committee holds regular private meetings with the Internal Auditor team without the presence of Executive Director and Management to discuss on significant internal audit matters. These private meetings provide an avenue for the internal audit team to surface any pertinent issues or concerns that they were gathered. During the year, there were two (2) meetings held between the Internal Auditor and the Audit Committee without the presence of Executive Director and Management.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company's internal audit function is outsourced to an external service provider to ensure the function is independent from the operations and influence of the Management which could impair their objectivity and independence. During the financial year ended 31 March 2019, the outsourced Internal Auditors provided a total of three (3) personnel to the Internal Audit function. All the personnel were free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of their work.</p> <p>All internal audit work carried out is guided by the International Professional Practices Framework promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors.</p> <p>Information on the internal audit function is also disclosed in the Company's Annual Report 2019.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board understands that stewards of the Company, they are accountable to their shareholders as well as other stakeholders. As such, the Board endeavours to ensure that the Company remains in constant communication with its stakeholders.</p> <p>In building a closer relationship with its stakeholders, the Board, along with Management ensure that the Company's website, www.perstima.com.my contains the latest information on the Company including, but not limited to its corporate information, operation activities, announcements and financial performance.</p> <p>Stakeholders may at any time direct questions or request publicly available information via the communication channels provided in the website. The Company places great importance on stakeholders' privacy and will not disclose information of stakeholders unless otherwise required by law.</p> <p>The Board also perceives the general meetings as an ideal opportunity to communicate with its shareholders. During the general meetings, shareholders are encouraged to participate in general meetings and before any proposed resolution is put to a vote, the Chairman of the meeting will open the floor to questions so that all shareholders' queries could be adequately addressed.</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 11.2

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	:	Not applicable as the Company is not a Large Company as defined by the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the significance of the Annual General Meeting (“AGM”) as a platform for direct and meaningful communication between the Board and the Company’s shareholders. As such, the Board strives to ensure that shareholders are accorded with sufficient time to consider the resolutions that will be discussed and decided upon at the AGM.</p> <p>In this regard, the Notice to the AGM in 2019 is provided more than 28 days prior to the AGM which will be held on 19 August 2019 going above and beyond Section 316(2) of Companies Act 2016 and paragraph 7.15 of the Main Market of Bursa Malaysia Securities Berhad which call for a 21-days’ notice period. The additional time given to shareholders allows them to make the necessary arrangements to attend and participate in person through corporate representatives, proxies or attorneys. In addition, the shareholders are accorded with sufficient time to consider the resolutions that will be discussed and decided upon at the AGM.</p> <p>The notice for the AGM outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM.</p> <p>In order to achieve the widest possible dissemination, the notice of AGM is placed both in a nationally circulated newspaper and the Company’s website at www.perstima.com.my besides being dispatched to shareholders.</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	:		
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Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All the Directors including the Chair of all the respective Board Committees have attended the last AGM. There is an open question and answer session whereby shareholders may ask questions and seek clarifications on the performance of the Group. The Chairman and the Board members are in attendance to provide explanations to all shareholders' queries.</p> <p>The Chairman of the Board encourages shareholders' active participation during AGM and other general meetings by giving sufficient time to the floor during the questions and answers session.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board regards general meetings as an essential platform for the shareholders to meet and exchange views with the Board. In accordance with paragraph 8.29A(1) of the MMLR of Bursa Securities, all resolutions put to vote will be carried out by poll voting. The Board has always seen good shareholders' participation in previous general meetings and has given foremost consideration to the location of its general meetings to ensure it is easy to reach or easily accessible to shareholders.</p> <p>However, the Board has yet facilitate remote shareholders' participation or voting in absentia using technological means as the Company would like to allow for an advocacy period in assessing the benefits and costs of this undertaking. In addition, the number of registered shareholders physically attending the general meetings of the Company is considered small and manageable by the Company.</p> <p>Currently, shareholders whom are unable to attend and vote at the Annual General Meeting of the Company are encouraged to submit the proxy form of the Company to the Share Registrar. Hence, this allows them to vote in absence.</p> <p>The Board acknowledges the need to leverage on technology for voting in absentia or remote shareholders' participation when the need arises in the future.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	The Board will continue to monitor its shareholding structure and the corresponding attendance level during general meetings. The Board endeavours to promote measures that can encourage shareholder attendance and participation during the general meetings, including

	leveraging on technological means, if necessary.		
Timeframe	:	Others	5 years

**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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