

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5245
COMPANY NAME : CARING PHARMACY GROUP 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 Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance monitoring and measurement, enterprise risk management and internal controls, standards of conduct, shareholder communication and critical business decisions.</p> <p>Amongst others, the key responsibilities of the Board to discharge in the best interests of the Company in pursuance of its commercial objectives are as described below:</p> <ul style="list-style-type: none">(a) Reviewing and adopting the Company's strategic plans;(b) Overseeing the conduct of the Company's business;(c) Identifying principal risks and ensuring the implementation of appropriate systems to manage them;(d) Reviewing the competence of the Board members and senior management team and to ensure succession planning of the Board and senior management team is put in place;(e) Overseeing the development and implementation of a communication policy for the Company; and(f) Reviewing the adequacy and integrity of management information and internal control system of the Company. <p>Further details on the key responsibilities of the Board are set out in the Corporate Governance Overview Statement of the Annual Report from pages 35 to 38.</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	:	The Chairperson leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. Together with the other Non-Executive and Independent Directors, she leads the discussion on the strategies and policies recommended by the Management. She also chairs the meetings of the Board and the shareholders.	
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>During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of the Chairperson and the Managing Director (“MD”) are held by different individuals, and that the Chairperson is a non-executive member of the Board.</p> <p>The Group has a clear distinction and separation of roles between the Chairperson and the MD, with clear division of responsibilities in order to ensure a clear balance of power between the Chairperson and the MD.</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 qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association, procedures and policies and regulations are complied with. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities.</p> <p>The Company Secretaries also notify the Board of any corporate announcement released to Bursa Securities and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly financial results.</p> <p>The Company Secretaries ensure that deliberations at Board and Board Committee meetings are well captured and documented, and proper records are maintained accordingly at the Registered Office of the Company, and produced for inspection, if required.</p> <p>The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in the discharge of their functions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>Unless otherwise agreed, as far as possible, the notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers are to be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that due notice is given to the directors of issues to be discussed and that supporting information and documentation are provided to the Board with sufficient notice. This also means Directors are given sufficient time to read the Board papers and seek clarification as and when they may need advice or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.</p> <p>The agenda for the meeting of the Board are set by the Company Secretary in consultation with the Chairperson and the MD. Management strives to ensure that Board and Board Committees meeting papers accompanying notes and explanations for agenda items are sent to the Directors at least (7) seven days before the meeting. During the meetings, the MD, Executive Directors and the Group Financial Controller will lead the presentation of board papers and provide comprehensive explanations of pertinent issues. Any proposals and recommendations by the Management will be deliberated and discussed by the Board before a decision is made. Management provides further detailed information and clarification on issues raised by members of the Board on any aspect of the Group's operations or business concerns. Time is allocated for Directors to raise other matters not covered by the formal agenda.</p> <p>Decisions of the Board are made unanimously or by consensus. All proceedings, deliberations and conclusions of the Board and Board Committees Meetings, including whether any director abstained from voting or deliberating on a particular matter are clearly recorded in the minutes of meetings. Such minutes of each Board and Board Committees Meeting are circulated to the Chairperson and/or Chairman of Meeting as well as the other Board members for perusal prior to confirmation of the minutes at the following meetings and execution as correct record by the Chairperson and/or Chairman of the Meeting. Where appropriate, decisions may be taken by way of</p>

	Directors' Circular Resolutions between scheduled and special meetings on routine matters as allowed under the Company's Articles of Association.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for oversight and overall management of the Company. In order to ensure the effective discharge of its functions and responsibilities, a Charter of Board has been established for the Group where the roles of the Board, Board Committees and Management are clearly delineated as to provide a structured guidance for Directors and Management regarding their responsibilities of the Board, its Committees and Management, including the requirements of Directors in carrying out their stewardship role (including those of the Senior Independent Director) and in discharging their duties towards the Group as well as boardroom activities.</p> <p>Significant matters requiring deliberation and approval from the Board are also clearly defined in the Charter of Board as matters reserved for the Board for consideration and approval during the Board's meetings. The key matters reserved for the Board's approval, amongst other matters, include other ventures, corporate plan and programme, material acquisitions and disposals, material investments, changes in the major activities, major borrowings, major agreements/contracts, changes to the management and control structure and compliance with relevant laws and regulations. In addition, the authorization requirements delegated to the Management are incorporated in the key business processes and stated in the Group's policies and procedures.</p> <p>The Board reviews and updates its Charter from time to time as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. A copy of the Charter of Board is available on the Company's website at www.caring2u.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 3.1

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	:	The Group has an established Code of Conduct ("the Code") that applies to all Directors and employees of the Group. The Code is to assist the Directors and all personnel of the Group in defining the ethical standards based on trustworthiness and values as well as uphold the spirit of responsibility in line with the regulations, legislation, and guideline for administration of the Company. A copy of the Code is available for reference at the Company's website at www.caring2u.com .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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 formalised a Whistle Blowing Policy and Procedures, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance with laws and regulatory requirements as well as other malpractices. The policy is a specific mean by which an employee can exercise their responsibility to report or disclose through established channels, their legitimate concerns regarding any unethical conduct, illegal acts or failure to comply with the Company’s policies and regulatory requirements responsibly and sensibly.</p> <p>Employees and other stakeholders are encouraging to report genuine concerns of breach of legal obligation, miscarriage of justice, danger of health and safety or to the environment and the cover-up of any of these in the workplace.</p> <p>A copy of the Whistle Blowing Policy and Procedures is available at the Group’s website at www.caring2u.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The current Board of Directors consists of seven (7) members, comprising the Independent Non-Executive Chairperson, a Managing Director, two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and a Senior Independent Non-Executive Director. The Company thus complies with Paragraph 15.02 of the MMLR whereby at least two (2) or one-third (1/3) of the Board of Directors, whichever is higher, are Independent Directors. This fairly reflects the investment by minority shareholders through Independent Directors.</p> <p>The Board is mindful of the MCGG’s recommendation which stated “at least half of the board shall comprise of Independent Directors. For Large Companies, the Board shall comprise a majority independent director.” Although increasing number in the Independent Directors may provide more fresh ideas and viewpoints to the Board, the Board is of the view that there is balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objective as the Independent Non-Executive Directors of the Company have strong personalities with high levels of integrity and play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. Further, all the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board’s deliberations. Nevertheless, the Board, through the Nomination Committee will endeavor to identify suitable candidates with the relevant market and industry knowledge for the proposed appointment as Independent Non-Executive Director(s) of the Company.</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, through the Nomination Committee will endeavor to identify suitable candidates with the relevant market and industry knowledge for the proposed appointment as Independent Non-Executive Director(s) of the Company
Timeframe	: Others
	No specific timeline set

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Two Tier Voting
Explanation on application of the practice	:	<p>As recommended by MCCG, the Board has implemented a nine (9) years policy for its Independent Non-Executive Directors. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a twotier voting process.</p> <p>As at 31 May 2019, none of the Independent Directors had served the Company for more than nine (9) years as per the recommendations of MCCG.</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 4.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The Board has implemented a nine (9) years policy for its Independent Non-Executive Directors. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek annual shareholders' approval.

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 and Nomination Committee is guided by the Policies and Procedures for Nomination of Directors in carrying out its responsibilities in respect of the nomination, selection and appointment process.</p> <p>The review process involves the Nomination Committee's consideration and submission to the Board its recommendation of suitable candidates from either the Management, the existing Board member(s) or major shareholder(s) for the proposed appointment as Directors of the Company. The Nomination Committee may also obtain and rely upon independent sources such as a directors' registry, open advertisement or use of independent search firms in furtherance of their duties at the Company's expense, subject to approval by the Chairperson or the Board, depending on the quantum of the fees involved. If the selection of candidates was solely based on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the Nomination Committee will explain why other sources were not used.</p> <p>The Nomination Committee's annual review of the criteria to be used in the appointment process to the Board of Directors largely focuses on ensuring a good mix of skills, experience and strength in the qualities that are relevant for the Board to discharge its responsibilities in an effective and competent manner. The other factors considered by the Nomination Committee in its review include the candidates' ability to spend sufficient time and commitment on the Company's matters, the ability to satisfy the test of independence taking into account the candidate's character, integrity and professionalism, as well as having a balanced mix of age and diversity of Directors on the Board. The Board diversity factor as reviewed by the Nomination Committee includes experience, skills, competence, race, gender, culture and nationality, to facilitate optimal decision-making by harnessing different insights and perspectives.</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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal boardroom diversity policy in the selection of new Board candidates and does not have specific policies on setting the target for female candidates in the Group.</p> <p>The Group basically evaluates the suitability of candidates as a new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.</p> <p>Currently, our Board comprises one (1) female Director, represented approximately 14% of total numbers of the Board. In line with the country's aspirational target of 30% representation of women on Board, the Board will evaluate and match the criteria of the potential candidates as well as considering the appointment of female director onto the Board in future to bring about a more diverse perspective.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Female representation will be considered when a vacancy arises and/or suitable candidates are identified. However, the appointment of a new Board member will not be guided solely by gender but will also take into account the skills-set, experience and knowledge of the candidate.
Timeframe	:	Others
		No specific timeline set

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	:	The Nomination Committee may also obtain and rely upon independent sources such as a directors' registry, open advertisement or use of independent search firms in furtherance of their duties at the Company's expense, subject to approval by the Chairperson or the Board, depending on the quantum of the fees involved. If the selection of candidates was solely based on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the Nomination Committee will explain why other sources were not used.	
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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf who is a Senior Independent Non-Executive Director of the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self and peer assessment approach on an annual basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the forthcoming Annual General Meeting of the Company, with a view to meeting current and future requirements of the Group.</p> <p>The Board's effectiveness is assessed through its composition, administration and process, accountability and responsibility, Board conduct, communication and relationship with Management, performance of the Chairperson and MD, the time commitment in discharging their role and responsibilities through attendance at their respective meetings as well as the application of good governance principles to create sustainable shareholder's value.</p> <p>The criteria used by the Nomination Committee in evaluating the performance of an individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The results of the evaluation were summarised by the Company Secretaries and discussed by the Nomination Committee which were then reported to the Board. The Board did not engage any external party to undertake an independent assessment of the Directors.</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 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 believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.</p> <p>The Remuneration Committee's primary responsibilities are to recommend to the Board from time to time, the remuneration package and terms of employment of each Executive Director. Each Executive Director is to abstain from deliberating and voting on the decision in respect of his/her own remuneration package. The Board as a whole decides on the remuneration of the Non-Executive Directors. The individual concerned is to abstain from deliberating his/her own remuneration package. All Directors' fees and other benefits payable to the Directors must be approved by the shareholders at the Annual General Meeting.</p> <p>The objectives of the Group's policy on Directors' remuneration are to attract and retain Directors of the caliber needed to manage the Group successfully. In the case of Executive Directors, the component parts of their remuneration are structured to link rewards to corporate and individual performances. For Non-Executive Directors, their level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.</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 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	:	In line with the Best Practices of MCCG, the Board has established the Remuneration Committee which comprise majority of Independent Non-Executive Directors, with the responsibilities to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The Terms of Reference of the Remuneration Committee can be viewed at the Company's website at www.caring2u.com .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Details of the Executive Directors' remuneration are not disclosed on named basis in this report as the Board is of the view that it is not in the best interest of the Group to disclose their remuneration to the public at large. Further, the Board also of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the Executive Directors' remuneration.</p> <p>Details of the remuneration paid or payable to Non-Executive Directors of the Company (both by the Company and the Group) for the financial year ended 31 May 2019 and the number of Executive Directors of the Company whose remuneration band falls within the following successive bands of RM50,000 were disclosed in page 49 of this Annual Report.</p> <p>The Board is of the opinion that the above remuneration disclosures by appropriate bands should meet the accountability and transparency aspects of the MCGG.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company does not have any alternative plan to meet the intended outcome.	
Timeframe	:	Others	No specific timeline set

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	:	The Company notes the need for corporate transparency in the remuneration of its key senior management executives, however, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, such disclosure may be detrimental to the business interests and give rise to recruitment and talent retention issues. Thus, the Company is of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the Group's Key Senior Management personnel who are not directors of the Company.	
		The remuneration of the Key Senior Management personnel which is a combination of annual salary, bonus and benefits-in-kinds are determined in a similar manner as other management employees of the Group. The basis of determination has been consistently applied and is based on individual performance and the overall performance of the Group. The aggregate remuneration of the top six (6) Key Senior Management received for the financial year ended 31 May 2019 was RM2,248,453 representing 3.3% of the total employees' remuneration of the Group.	
		The Board is of the opinion that disclosure of remuneration of the Directors of the Board by appropriate components and the top six (6) Key Senior Management's total combined remuneration package should meet the intended objectives of the MCGG.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company does not have any alternative plan to meet the intended outcome.	
Timeframe	:	Others	Not specific timeline set

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently, the Chairperson of the Audit and Risk Management Committee is also the Chairperson of the Board.	
		The Board is of the view that the Chairperson of the Audit and Risk Management Committee has performed the duties as defined and her judgment was not impaired as she was sufficiently independent from Management in leading the discussion on the matters being deliberated and findings as well as recommendations made by the Audit and Risk Management Committee objectively in the Board meetings. Further, based on the assessment conducted for the financial year ended 31 May 2019, the Board and the Nomination Committee is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Audit and Risk Management Committee members.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board through the Nomination Committee, will endeavor to identify candidate(s) who is/are financially literate as member(s) and/or Chairperson of the Audit and Risk Management Committee.	
Timeframe	:	Others	Not specific timeline set

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Company recognised the need to uphold the independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit and Risk Management Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit and Risk Management Committee was a key audit partner of the external auditors of the Group.	
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 Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit and Risk Management Committee and Board of Directors on matters that require the Audit and Risk Management Committee and the Board's attention.</p> <p>The Audit and Risk Management Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit and Risk Management Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit and Risk Management Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit and Risk Management Committee. To assess or determine the suitability and independence of the External Auditors, the Audit and Risk Management Committee has taken into consideration of, among others, the following:</p> <ul style="list-style-type: none">i) the adequacy of the competency, experience and quality of the External Auditors;ii) the External Auditor's resource capacity and ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; andiv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors. <p>Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Audit and Risk Management Committee and the Board. The External Auditors are being invited to attend the Annual</p>

	<p>General Meeting of the Company to respond and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.</p> <p>Where necessary, the Audit and Risk Management Committee will meet with the External Auditors without the presence of Executive Directors and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit and Risk Management Committee are duly recorded by the Company Secretaries.</p> <p>In presenting the Audit Planning Memorandum to the Audit and Risk Management Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit and Risk Management Committee and the Board for the financial year ended 31 May 2019.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

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>Collectively, the members of the Audit and Risk Management Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the terms of reference of the Audit and Risk Management Committee. The qualification and experience of the individual Audit and Risk Management Committee members are disclosed in the Directors' Profile on pages 10 to 13 of this Annual Report. The Audit and Risk Management Committee members continuously keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to discharge their duties effectively.</p> <p>The Board, through the recommendation of the Nomination Committee and with the exception of the Directors who are also Audit and Risk Management Committee are generally satisfied that all the Audit and Risk Management Committee are financially literate and have sufficient understanding of the Company's business.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of risk management and internal controls in the overall management processes. The Group has established an internal control system and risk management framework which is adopted by the Group and its business units to ensure the effectiveness of identification, analysis, assessment, monitoring and communication of risks and internal control issues that will allow the Group to safeguard shareholders investments and assets by mitigating losses and maximising opportunities.</p> <p>As an effort to enhance the system of internal control, the Board together with the assistance of an external professional Internal Audit firm monitors and reviews the existing risk management process in place within the various business operations regularly, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit and Risk Management Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.</p> <p>In addition, the Board also established an Enterprise Risk Management (“ERM”) framework to formulate and review risk management policies and risk strategies. The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The details of the Group's risk management and internal control was disclosed in pages 61 to 64 on the Statement on Risk Management and Internal Control of 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

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	:	Adopted
Explanation on adoption of the practice	:	<p>In line with the best practices of MCCG, the Board has set up the Audit and Risk Management Committee which comprising exclusively of Non-Executive Directors with majority being Independent Non-Executive Directors.</p> <p>The primary objective of the Audit and Risk Management Committee is to establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, a system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.</p>

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>In order to act independently from the management, NGL Tricor Governance Sdn Bhd (“NGL Tricor”), an outsource internal audit firm appointed by the Company, will report directly to the Audit and Risk Management Committee and assists the Audit and Risk Management Committee in monitoring and reviewing the effectiveness of the risk management, internal control and governance process within the Group.</p> <p>The Audit and Risk Management Committee approved the internal audit review plan presented by the NGL Tricor. The internal audit plan is derived based on a risk-based assessment of all units and operations of the Group. The internal audit reports highlight any deficiencies or findings which are discussed with the management and relevant action plans agreed and to be implemented. Significant findings are presented in the Audit and Risk Management Committee meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies 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	:	The Group has outsourced its internal audit function to NGL Tricor, an independent professional internal audit service provider and the consultancy firm which managed by professionally qualified and experienced staff. For each internal audit review, a team of at least four (4) internal audit personnel led by Mr Chang Ming Chew will be assigned by NGL Tricor to undertake the review in accordance to the internal audit plan approved by the Audit and Risk Management Committee. Mr Chang Ming Chew is a Certified Internal Auditor (CIA) and holds a Certification in Risk Management Assurance (CRMA). He is a professional member with the Institute of Internal Auditors of Malaysia, a member of the ISACA, an international professional association focused on IT governance, the Association of Certified Fraud Examiner, the Association of Chartered Certified Accountants (UK) and the Malaysian Institute of Accountants. The internal auditors are free from any relationships or conflict of interest which could impair their objectivity and independence. The Internal Auditors performed their work by referring to a recognised framework such as the standards recommended by the International Professional Practices Framework of the Institute of Internal Auditors.
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 Group recognises the importance of prompt and timely dissemination of information to shareholders and investors, in order for these stakeholders to be able to make informed investment decisions. Towards this, the Company's website incorporates a corporate section which provides all relevant information on the Group and is accessible by the public. This corporate section enhances the Investor Relations function by including share price information, all announcements made, annual reports as well as the corporate and governance structure of the Group.</p> <p>The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Group's financial performance, its current position and future prospects, through the issuance of the Annual Audited Financial Statements and quarterly financial reports, as well as corporate announcements on significant developments affecting the Group in accordance with the MMLR.</p> <p>In ensuring equal and fair access to information by the investing public, various channels of communications are made through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary via Bursa LINK in a timely manner as required under the MMLR, the Annual and Extraordinary General Meetings and through the Company's website at www.caring2u.com.my from which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, tansri@caringpharmacy.com.my, to which stakeholders can direct their queries or concerns.</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	:	Applied
Explanation on application of the practice	:	<p>To improve the quality of information available to the shareholders and stakeholders and promote greater transparency and accountability on the part of the Company, the Board will prepare an integrated report entailing the detailed information flows about the Company’s strategy, performance, governance and prospects lead to value creation on yearly basis. In this respect, the Company complies with the recommendation of the MCCG under the Practice Note 11.2.</p> <p>A full Sustainability Report pursuant to Paragraph 9.45(2) and Paragraph 29, Part A of Appendix 9C of the MMLR and Practice Note 9 is set out in this Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	As recommended by the MCCG, the Board is endeavored to dispatch its notice of Annual General Meeting (“AGM”) at least twenty-eight (28) days before the meeting and mindful that the sufficient notice and time given would allow the shareholders to make necessary arrangements to attend and participate the AGM. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published at least in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.	
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 12.2

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	At the Sixth (6 th) AGM of the Company held on 30 October 2018, save and except for Mr Tan Lean Boon, who is not able to attend the said AGM due to urgent business schedule, all other the Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.	
		The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make the necessary arrangement to attend the planned AGM.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company does not have any alternative plan to meet the intended outcome.	
Timeframe	:	Others	No specific timeline set

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	:	In view of the number of shareholders and the size of the Company, the participation of shareholders of the Company at the general meetings is currently by way of attending in person or by proxy.	
		The Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting. If necessary, the Group would embark on electronic voting and remote shareholder participation, if our shareholders requested for such services.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company does not have any alternative plan to meet the intended outcome.	
Timeframe	:	Others	No specific timeline set

**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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