

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 0040  
**COMPANY NAME** : OPENSYS (M) BERHAD  
**FINANCIAL YEAR** : December 31, 2019

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Rule 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 Rule 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:-</p> <ul style="list-style-type: none"><li>• reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;</li><li>• overseeing the conduct of the Group's business and evaluating whether or not its businesses are being properly managed;</li><li>• identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;</li><li>• ensuring that all candidates appointed to senior management positions are of sufficient calibre, including the orderly succession of senior management personnel;</li><li>• overseeing the development and implementation of a shareholder communications policy, including an investor relations programme for the Company; and</li><li>• reviewing the adequacy and integrity of the Group's internal control and management information systems.</li></ul> <p>To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is led by the Independent Non-Executive Chairman, Mr. James Henry Stewart who was appointed as Chairman on 12 April 2012. He is a member of the Audit Committee and the Chairman of the Nomination Committee and Remuneration Committee.</p> <p>The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of his role. Decisions of the Board are made collectively during Board meetings. In order to ensure that meetings are properly facilitated, and the Board properly led, the Chairman plays a crucial and pivotal leadership role in ensuring that the Board works effectively. Additionally, the Chairman of the Board is usually the presiding Chairman during General Meetings of the Company.</p> <p>The Chairman of the Board endeavours to create an environment which promotes constructive deliberations leading to effective contributions by each Board member during Board meetings.</p> <p>The Chairman is responsible for the following :-</p> <ul style="list-style-type: none"> <li>• Provide leadership and run the Board effectively with the assistance of the Board Committees and management;</li> <li>• Ensure the whole Board plays a full and constructive part in developing and determining the Company's strategy and overall business and commercial objectives;</li> <li>• Ensure the Board annually reviews its performance and its balance so as to achieve its effectiveness;</li> <li>• Chairing of general meetings and Board meetings; and</li> <li>• Promote the highest standards of integrity, probity and corporate governance in the Group.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman and Group CEO positions are held by separate individuals. Mr. James Henry Stewart is the Independent Non-Executive Chairman and Mr. Tan Kee Chung is the Group CEO of the Company.</p> <p>Their roles are separate and there is a clear division of responsibilities to distinguish between the provision of leadership to the Board and the executive responsibility for running the Company's business.</p> <p>The respective duties and responsibilities of the Chairman and the Group CEO are contained in the Board Charter.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Ms. Lim Seck Wah and Ms. Kong Mei Kee are the Company Secretaries of the Company. Both Company Secretaries are suitably qualified, experienced, competent, knowledgeable and are members of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Company Secretaries are responsible for ensuring that the Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretaries are also responsible for the secretarial functions such as compliance with all statutory and regulatory requirements, providing corporate advisory to the Board, recording the proceedings of all Board meetings and Board Committee meetings and proper maintenance of statutory records.</p> <p>The Company Secretaries regularly update the Board on update of statutes and directives issued by the regulatory authorities and keep the Board informed of their responsibilities. The Company Secretaries regularly attend trainings to keep themselves abreast with developments regarding corporate and securities laws, listing rules and corporate governance practices and issues.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The notices of meetings and meeting materials are sent to the Directors at least 5 business days in advance before the meeting. This provides the Board with sufficient time to review the meeting papers, seek any clarification and consultation that they may need from the Management, Company Secretaries or independent advisers before the meeting, if necessary, and to raise relevant issues during the meeting.</p> <p>All proceedings of the meetings including issues raised, deliberations and decisions of the Board are duly recorded. The minutes of meetings are circulated upon conclusion of the meetings in a timely manner.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter sets out the role, responsibilities and composition of the Board of the Company. It outlines the policies that the Board has decided upon to discharge its responsibilities, including good governance and leadership.</p> <p>This is to ensure that all Board members are aware of their fiduciary duties and responsibilities, various legislations and regulations affecting their conduct, the need for safeguarding the interests of the shareholders, and other stakeholders and that highest standard of corporate governance are applied in all their dealings in respect and on behalf of the Company.</p> <p>The Board Charter is reviewed periodically incorporating updates and enhancements, and continues to be relevant to the existing rules and regulations as well as standards of corporate governance. It was last reviewed on 24 February 2020.</p> <p>The Board Charter is available on the Company's website at <a href="http://www.myopensys.com">www.myopensys.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formulated the Code of Conduct and Ethics to enhance the standard of corporate governance and behaviour with a view to achieve the following objectives:-</p> <ul style="list-style-type: none"> <li>• to establish standard of ethical conduct for Directors based on acceptable belief and values that one upholds.</li> <li>• to uphold the spirit of social responsibility and accountability of the Company in line with the legislations, regulations and guidelines governing it.</li> </ul> <p>The Code of Conduct and Ethics is available on the Company's website at <a href="http://www.myopensys.com">www.myopensys.com</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised the Whistleblowing Policy, which provides an avenue for employees and stakeholders to report genuine concerns about unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements without fear of reprisal should they act in good faith when reporting such concerns.</p> <p>The Whistleblowing Policy sets out the principles and procedures for employees or stakeholders to raise genuine concerns of possible improprieties perpetrated within the Company.</p> <p>The Board together with the Management reviews the Whistleblowing Policy periodically or as and when the need arises to ensure it is updated and current.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board consists of 6 members, comprising 3 Executive Directors and 3 Independent Non-Executive Directors.</p> <p>The Nomination Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is adequate to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied - Two Tier Voting	
<b>Explanation on application of the practice</b>	:	<p>At the forthcoming Annual General Meeting, the Company will be seeking shareholder's approval through a voting process to retain Datuk Ng Bee Ken as Independent Non-Executive Director who has served the Company for a cumulative term of more than 9 years.</p> <p>The Company will also be seeking shareholder's approval at the forthcoming Annual General Meeting to retain Mr. James Henry Stewart as Independent Non-Executive Director who has served the Company for a cumulative term of more than 12 years through a two-tier voting process.</p> <p>The Board has reviewed and assessed the independence of the Independent Directors, namely Mr. James Henry Stewart and Datuk Ng Bee Ken and has recommended them to continue as Independent Non-Executive Directors of the Company based on the following justifications:-</p> <p>(i) They understand the business nature and office culture; (ii) They provide the Board valuable advice and insight; (iii) They actively participate in Board deliberations and decision making in an objective manner; and (iv) They uphold independent decision and challenge the management objectively.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level.</p> <p>The Board is of the view that the suitability of a candidate is dependent on the candidate’s competency, skills, experience, expertise, attitude, time commitment, integrity and other qualities in meeting the needs of the Company.</p> <p>The Company gives equal opportunity to all Board members and its staff regardless of the gender and ethnic.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board acknowledges the recommendations of the Malaysian Code on Corporate Governance on the establishment of a gender diversity policy. There is no plan by the Board to implement a gender diversity policy or target, as the Board adheres to the practice of non-discrimination of any form, whether based on age, race, religion or gender, throughout the Group. This includes the selection of Board members. The Company believes in, and provides equal opportunity to candidates with merit.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is primarily responsible for sourcing and recommending the right candidate to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. The Nomination Committee will rely on varied sources from recommendations from existing Board members, Management or major shareholders as well as independent sources.</p> <p>The final decision on the appointment of a candidate recommended by the Nomination Committee rests with the whole Board. The Board is entitled to the services of the Company Secretary who would ensure that the process and procedure on appointments are properly observed and adhered to the Malaysian Code on Corporate Governance and ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>There was no new appointment of director in year 2019.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination Committee is chaired by Mr. James Henry Stewart, who is an Independent Non-Executive Director of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>During the financial year, the Nomination Committee has assessed the balance composition of Board members based on merits, Directors' contribution and Board effectiveness.</p> <p>The Nomination Committee concluded that each Board member is competent and committed in discharging his duty and responsibility. Non-Executive Directors are independent in rendering their opinion and decision. All assessments and evaluations carried out by the Nomination Committee were properly documented.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Presently, the Company does not have a formal remuneration policies and procedures for Directors and Senior Management.	
		The Board will compare the remuneration of its Board and its senior management staff with those public companies of similar identity and of its size as a general guideline.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>A Remuneration Committee has been established by the Board, comprising a majority of Independent Non-Executive Directors.</p> <p>The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Group.</p> <p>The Remuneration Committee's Terms of Reference is available on the Company's website at <a href="http://www.myopensys.com">www.myopensys.com</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	<p>The remuneration for Executive Directors is balanced between fixed and performance-linked elements. The fixed components include salary and ordinary contractual entitlements. The performance-linked component includes a discretionary bonus payment taking into consideration the Group and individual performance and never of a percentage of the Group's revenue.</p> <p>The remuneration for the Non-Executive Directors is determined by the Board as a whole, based on a fixed fee.</p> <p>Directors' fees are disclosed in the annual report and approved by the shareholders at the Annual General Meeting.</p> <p>The Directors' remuneration for the financial year ended 31 December 2019 with breakdown into fees, salaries and bonus, benefits in-kind and meeting allowance are disclosed in aggregate amounts for Executive and Non-Executive Directors in the Corporate Governance Overview Statement of the Annual Report 2019.</p> <p>The Board believes that such disclosure on an unnamed basis would be sufficient to provide pertinent insights to shareholders on whether the Directors are being remunerated responsibly and fairly and shareholders are able to assess whether the remuneration commensurate with the Directors performance.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the view that it is inappropriate to disclose the remuneration of the Senior Management and such details to be sensitive and proprietary given the competitive human resources market as such disclosure may give rise to recruitment and talent retention issues.</p> <p>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit Committee is chaired by Dato' Abdul Manap Bin Abd Wahab, who is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee comprises 3 members, all whom are Independent Non-Executive Directors.</p> <p>At present, none of the Audit Committee members is a former key audit partners of the Company's external auditors.</p> <p>The Audit Committee has a policy that governs the appointment of a former key audit partner to the Audit Committee which includes a former key audit partner to observe a cooling-off period of at least 2 years before he or she can be considered for appointment as an Audit Committee member.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>To ensure that the external auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company is rotated every 5 years. Internally, the external auditors conduct an Independent Partner Engagement quality control review in order to preserve their independence and integrity. The external auditors had also provided written assurance to the Audit Committee they had been independent throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The Audit Committee reviews the performance of the external auditors annually based on the following criteria:-</p> <ul style="list-style-type: none"> <li>• quality of engagement team;</li> <li>• quality of interaction and communication; and</li> <li>• independence, objectivity and professionalism.</li> </ul>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee comprises 3 members, all of whom are Independent Non-Executive Directors.

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.5**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The members of the Audit Committee collectively have the necessary skills related to information technology, accounting, banking, legal and business to meet their responsibilities and to discharge their duties.</p> <p>Throughout the year, all Directors regularly received updates and briefings, particularly from the Company Secretary, internal and external auditors on Financial Reporting developments, Malaysian Financial Reporting Standards, Malaysian Code on Corporate Governance and other changes in regulatory environment.</p> <p>The training programs that the Board members have attended during the financial year ended 31 December 2019 are disclosed in the Annual Report 2019.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group has established an Enterprise Risk Management (ERM) Framework to create, protect, and enhance stakeholder value by managing the uncertainties that could influence the Group from achieving its business objectives.</p> <p>The key objectives of the ERM are:-</p> <p>Oversight : All critical risks have been identified and are being managed and monitored under a holistic approach consistent with the Board approved risk appetite statement.</p> <p>Ownership &amp; Responsibility : The ownership of risk is assigned to management individuals who are responsible for identifying, evaluating, mitigating and reporting risk exposures.</p> <p>Assurance : The Board and Management have reasonable assurance that risk is being appropriately managed within defined levels to protect and bring value to the organization.</p> <p>The internal control mechanisms established by the Board and Management are embedded within the organisation structure in its processes. The internal control system is independently reviewed by the outsourced internal audit firm to assess its adequacy and effectiveness.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Enterprise Risk Management is the framework applied by the Board, Management and other key personnel to identify potential events that may affect the Group; manage the associated risks and opportunities and provide reasonable assurance that our Group's objectives will be achieved.</p> <p>The Enterprise Risk Management Framework aims to:-</p> <ul style="list-style-type: none"> <li>• integrate enterprise risk management within the organization's operations management cycle;</li> <li>• communicate the benefits of risk management;</li> <li>• convey the organization's policy, approach and attitude to risk management;</li> <li>• set the scope and application of risk management within the organization;</li> <li>• establish the roles and responsibilities for managing risk;</li> <li>• set out a consistent approach for managing risks across the organization, aligned with relevant standards and industry best practice;</li> <li>• detail the process for escalating and reporting risks;</li> <li>• convey the organization's commitment to the periodic review and verification of the Framework and its continual improvement;</li> <li>• ensure appropriate resources are available to assist those with accountability or responsibility for managing risks; and</li> <li>• ensure the organization meets its risk reporting obligations.</li> </ul> <p>The ERM framework comprises the following areas:-</p> <ul style="list-style-type: none"> <li>• Guiding Principles</li> <li>• Risk Categorisation</li> <li>• Risk Identification, Analysis And Evaluation</li> <li>• Risk Treatment</li> <li>• Risk Impact and Possibility</li> <li>• Risk Response</li> <li>• Monitoring And Review</li> <li>• Reporting</li> </ul>

	<p>The key elements of the Group's internal control system include the following:-</p> <ul style="list-style-type: none"> <li>• Giving authority to the Board's committee members to investigate and report on any areas of improvement;</li> <li>• Performing in-depth study on major variances and deliberating irregularities in the board meetings and Audit Committee meetings so as to identify the causes of the problems and formulate solutions to resolve them;</li> <li>• Arranging regular interactive meetings to identify and rectify any weaknesses in the system of internal control. They would also be informed on the matters brought up in the Audit Committee meetings on a timely basis;</li> <li>• Delegating necessary authority to the Chief Executive Officer in order for him to play a major role as the link between the Board and Management in implementing the Board's expectation of effective system of internal control;</li> <li>• Keeping the Management informed on the development of the action plan for enhancing system of internal control allowing various management personnel to have access to important information for better decision making; and</li> <li>• Monitoring key commercial, operational and financial risks through reviewing the system of internal control and operational structures.</li> </ul>			
<b>Explanation for departure</b>	:			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>				
<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company outsourced its internal audit division to a third party professional firm to assist the Audit Committee in discharging their responsibilities and duties. The role of the internal audit functions is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The outsourced internal audit function is independent of the activities and operations of the Group.</p> <p>During the financial year under review, the internal auditors reviewed and audited the following areas:-</p> <ul style="list-style-type: none"> <li>i). Cash and Bank Management</li> <li>ii). Account Receivables</li> <li>iii). Payment System</li> <li>iv). Account Payables</li> <li>v). Inventories Control Management</li> </ul> <p>There were no significant issues in the internal control system during the period under review.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed with impartially, proficiency and due professional care, and in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, Incorporated, which sets out professional standards on internal audit.</p> <p>Internal Auditors report directly to the Audit Committee. Further details on the internal audit function can be seen in the Audit Committee Report and the Statement on Risk Management and Internal Control in the Annual Report.</p> <p>All the internal audit personnel providing this outsourced service are free from any relationships or conflicts of interest.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company maintains a corporate website, <a href="http://www.myopensys.com">www.myopensys.com</a> to disseminate information and enhance its investor relations. All timely disclosure, material information and announcements made to Bursa Malaysia are published on the website after the same are released by the Company.</p> <p>The Annual General Meeting (“AGM”), which is the principal forum for shareholder dialogue, allows shareholders to review the Group’s performance via the Company’s Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group’s operations in general. At the last AGM, a question and answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a Large Company under 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>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the Annual General Meeting (“AGM”) as an invaluable platform for shareholders to engage the Board in a productive dialogue and provide constructive feedback that contributes to the overall performance of the Company. The Board therefore endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the AGM and to facilitate informed decision-making by the shareholders.</p> <p>The Company has complied by giving shareholders over 21 days’ notice prior to the meeting.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors attended the OpenSys’s 23 <sup>rd</sup> Annual General Meeting held on 12 June 2019 as well as the past Annual General Meetings to foster effective two-way communication between the shareholders and the Board and the Board will take any relevant questions addressed to them.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company's general meetings have always been held at a venue that is easily accessible and with availability of public transport.</p> <p>Shareholders are encouraged to attend the OpenSys's general meetings. Attendance for meetings includes both members and proxies. Shareholders are allowed to appoint any person as proxies to attend, participate, speak and vote in his/her stead at general meetings.</p> <p>The Company is supportive of technologies that can facilitate remote shareholders' participation and voting. For the upcoming AGM, the Company will be conducting the AGM through live streaming via Remote Participation and Voting ("RPV") facilities. By leveraging the RPV facilities, shareholders can participate remotely and cast their votes electronically. The Company's shareholders are entitled to appoint corporate representatives or proxy(s) to participate and vote on their behalf in their absence at the AGM via RPV.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**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.*

Not Applicable.
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