

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : DSONIC 5216  
**COMPANY NAME** : Datasonic Group Berhad (Registration No. 200801008472  
(809759-X))  
**FINANCIAL YEAR** : March 31, 2020

## OUTLINE:

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

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board determined the vision, mission, setting strategy and structure of the Company and exercising accountability to shareholders and being responsible to relevant stakeholders.</p> <p>The Board delegated the authority to the Board Committees, namely, the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and the newly established Employees' Share Option Scheme Committee, to monitor and evaluate the implementation of policies, strategies and business plans.</p> <p>In promoting good governance culture, in August 2019, the Board procured its members and senior management to agree and abide by the following:-</p> <ul style="list-style-type: none"><li>a) Employment Contract and guidelines issued from time to time;</li><li>b) Employee Handbook;</li><li>c) Employee Business Code of Conduct; and</li><li>d) Malaysian Anti-Corruption Commission Act, 2009 ("MACC Act"), in particular Section 17A of the MACC Act.</li></ul> <p>The Board also reviewed and adopted a new declaration letter for the Board members and senior management in relation to the above.</p> <p>During the year under review, the Board reviewed and deliberated 4 corporate proposals submitted by the Management which include proposed merger and acquisition and joint venture, both locally and in overseas, namely in the Philippines and Nigeria. The Board constantly being briefed by the Management on the implementation and performance of on-going projects and other matters that warranted the Board's attention and action.</p>

In April 2019, Datasonicare's Engagement Session entitled Roadmap to Groupwide Strategic was held and attended by the Board members and key management personnel, discussed on the following:-

- a) Group's vision, mission and strategies;
- b) Identification of Business Owners;
- c) Group Functional Organisation Structure; and
- d) Human Capital Development.

The Engagement Session generated sufficient engagement to identify clarity for moving forward efforts, allowing for greater inputs from all levels.

The Managing Director takes responsibility for the day-to-day operations and management of the Group and reports to the Board. The Managing Director is authorised and responsible to supervise and assess the Management's performance and its operations by way of a delegated authority from the Board. The Managing Director is supported by the Deputy Managing Director, Management Committee and Strategic Management Committee.

The Managing Director attends all Board meetings and ensured that the Board is provided with sufficient accurate information on a timely basis in regard to the Group, its operations, business and affairs, and in particular with respect to the Group's corporate performance, financial condition, operations and prospects, so as to reasonably position the Board to fulfil its governance responsibilities.

The Risk Management Committee ("RMC") assists the Board in overseeing the risk management framework and policies of the Group. During the year under review, the RMC reviewed 2 Strategic Risk Review Reports and identified 14 risks and 19 risks respectively and accordingly have made some suggestions for improvement and for further action. The RMC also reviewed the Anti-Bribery and Anti-Corruption Policy prior to approval and adoption by the Board on 29 May 2020

The Nomination and Remuneration Committee assessed the candidate, Dato' Haji Razali bin Mohd Yusof for the appointment as Director and Deputy President of the Company on 13 December 2019 and subsequently as Managing Director on 1 February 2020 to succeed Datuk Haji Hanifah bin Noordin who had retired on 31 January 2020.

The Board has established the Corporate Disclosure Policy and Procedures and Shareholders Communication Policy to enable effective communication with stakeholders.

The Board through the Audit Committee will ensure the integrity of the Company's financial and non-financial reporting, timeliness of reporting and compliance with the relevant accounting standards and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

<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 1.2

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 Chairman provides leadership and is responsible for instilling good corporate governance practices and overall effectiveness of the Board and individual Director. He ensures that all key and appropriate issues are discussed by the Board in a timely manner.</p> <p>The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Managing Director. The Chairman acts as the communicator for Board decisions where appropriate. The Chairman ensures the Board is effective in its task of setting and implementing the Group's directions and strategies.</p> <p>The Chairman sets the Board agenda and reviews minutes of Board meeting prior to circulation to the Board members. The Chairman leads the Board meeting and encourages participation and contribution from the Board members.</p> <p>The roles and responsibilities of the Chairman of the Board have been specified in the Company's Board Charter, which is published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</a>.</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

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 positions of the Chairman and the Managing Director are held by different individuals. General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) is the Independent Non-Executive Chairman.</p> <p>During the year under review, Datuk Haji Hanifah bin Noordin has retired as Managing Director of the Company and Dato' Haji Razali bin Mohd Yusof has been appointed in his place.</p> <p>The division of roles between the Chairman and Managing Director are clearly defined in the Company's Board Charter, which is published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</a>.</p> <p>The separation of roles ensures there is a balance of power and authority, such that no one individual has unfettered decision-making powers.</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>The Board is supported by a suitably professionally qualified, experienced and knowledgeable Company Secretary.</p> <p>The Board members have unrestricted access to the advice of the Company Secretary to enable them to discharge their duties and responsibilities effectively. The Board is regularly updated by the Company Secretary on new and amendments to the regulatory requirements and practices from time to time.</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>	:	Departure
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary will ensure the meeting materials are distributed electronically and uploaded onto an App as soon as practicable upon receipt of the same from the Management. The Board and Board Committees members are able to access meeting materials and relevant information in a timely and efficient manner, thus improving Board performance and overall effectiveness of decision-making.</p> <p>The notice of meetings and meeting materials with the relevant and adequate information are distributed at least 7 days and 4 days respectively in advance, to allow the respective Board and Board Committees members sufficient time to review and analyse the materials.</p> <p>All proceedings of meetings including issues raised, deliberations and decisions of the Board are properly minuted and filed in the statutory records of the Company by the Company Secretary.</p> <p>The Company Secretary will communicate the Board's decisions or recommendations to the relevant management via circulation of draft minutes of meetings in a timely manner upon conclusion of the meetings for appropriate actions to be taken.</p>
<b>Explanation for departure</b>	:	<p>Partial departure given that the meeting materials were circulated less than 5 business days in advance of the Board meeting.</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

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 Company's Board Charter provides guidance and clarity regarding the roles and responsibilities of the Board and the Board Committees, the requirements of Directors in carrying out their roles and in discharging their duties towards the Company as well as the Board's operating practices.</p> <p>The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter was reviewed and updated periodically to be in line with the practices in the Malaysian Code on Corporate Governance 2017.</p> <p>The Board Charter is published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</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 established the Code of Conduct and Ethics for Directors (Executive and Non-Executive Directors) which describes the standards of business undertaking and ethical behaviour for Directors in the performance and exercise of their duties and responsibilities as Directors of the Company or when representing the Company.</p> <p>The Group's Employee Handbook governs the terms and conditions of employment and the standards of ethics and good conduct expected of the Executive Directors and employees.</p> <p>The Board has established and adopted the Anti-Bribery and Anti-Corruption Policy on 29 May 2020 in line with Section 17A of the Malaysian Anti-Corruption Commission Act, 2009 to address bribery and corrupt practices.</p> <p>The Code of Conduct and Ethics for Directors and the Anti-Bribery and Anti-Corruption Policy are published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</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 Whistleblowing Policy established by the Board applies to all the Directors and employees of the Group and is designed to provide them with proper internal reporting channels and guidance to disclose any wrongdoing or improper conduct relating to unlawful conduct, inappropriate behaviour, malpractices, any violation of established written policies and procedures within the Group or any action that is or could be harmful to the reputation of the Group and/or compromise the interests of the shareholders, clients and the public without fear of reprisal, victimisation, harassment or subsequent discrimination.</p> <p>In February 2020, the Board revised the Whistleblowing Policy and changed the reporting channel to the Independent Non-Executive Deputy Chairman.</p> <p>The Whistleblowing Policy is published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</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

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>	:	
<b>Explanation for departure</b>	:	<p>The Board comprises ten (10) members, including seven (7) Independent Non-Executive Directors, one (1) Managing Director, (1) Deputy Managing Director and one (1) Executive Director. The Independent Non-Executive Directors made up 70% of the total Board members and complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires a minimum of two (2) or one-third (1/3) of the Board, whichever is higher to be Independent Directors.</p> <p>For the year under review, the Board through the Nomination and Remuneration Committee has received affirmation from the Independent Non-Executive Directors of their independence based on the criteria as prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</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

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 - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	<p>The Company will be seeking shareholders' approval at the forthcoming Twelfth Annual General Meeting for General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd), Dato' Wan Mohd Safiain bin Wan Hasan, Dato' Wan Ibrahim bin Wan Ahmad and Mr Yee Kim Shing @ Yew Kim Sing who have served the Board for a cumulative term of nine (9) years to continue to act as Independent Non-Executive Directors of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2017.</p> <p>In June 2020, the Board through the Nomination and Remuneration Committee has undertaken relevant assessment and recommended that General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd), Dato' Wan Mohd Safiain bin Wan Hasan, Dato' Wan Ibrahim bin Wan Ahmad and Mr Yee Kim Shing @ Yew Kim Sing to continue to serve as Independent Non-Executive Directors based on the following justifications:-</p> <ul style="list-style-type: none"><li>a) They have met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and are therefore able to give independent opinion to the Board;</li><li>b) Being Directors for more than nine (9) years have enabled them to contribute positively during deliberations/discussions at meetings as they are familiar with the operations of the Company and possess sound knowledge of the Company's operations;</li><li>c) They have contributed sufficient time and exercised due care during their tenure as Independent Non-Executive Directors;</li><li>d) They have discharged their professional duties in good faith and also in the best interest of the Company and shareholders;</li></ul>

	<ul style="list-style-type: none"> <li>e) They have the calibre, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner;</li> <li>f) They have never compromised on their independent judgement; and</li> <li>g) They have ensured that there were effective checks and balances in Board proceedings.</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**

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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The policy limiting the tenure of the Company's independent directors to nine (9) years is set out in the Company's Board Charter. The Board Charter is published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</a> .

### 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>In reviewing and recommending to the Board of any new Director appointment, the NRC considers the candidate's ability to discharge such responsibilities/function as expected from the Executive Director or Independent Non-Executive Director ("INED"). In the case of the appointment of an INED; the candidate's competencies, commitment, contribution and performance, skills, knowledge, expertise and experience, professionalism, age, cultural backgrounds, leadership qualities and integrity.</p> <p>The NRC has conducted an annual review on the diversity in skills, experience, age, cultural background and gender of the Directors and Key Senior Management. The Board is of the view that the current Board members and Key Senior Management have an appropriate mix of skills, knowledge, experience, age, ethnicity and gender with diverse professional backgrounds, a wide range of experience and expertise in security; information technology and engineering; project development; corporate management/business; finance/taxation; accounting/auditing; and legal. This provides a collective range of skills, expertise and experience that fit the Group's objectives and strategic goals.</p> <p>The appointment of Key Senior Management is also based on criteria of skill, experience and leadership qualities, driven by their respective job descriptions.</p> <p>During the year under review, the NRC has assessed the following candidates for the appointment as Directors of the Company:-</p> <ul style="list-style-type: none"><li>a) Dato' Haji Razali bin Mohd Yusof – appointed as Deputy President on 13 December 2019 and subsequently appointed as Managing Director on 1 February 2020;</li><li>b) Dato' Sri Sharifuddin bin Ab Ghani, Dato' Ibrahim bin Abdullah and Cik Noor Suhaila binti Saad – appointed as Independent Non-Executive Directors on 5 February 2020; and</li><li>c) Encik Handrianov Putra bin Abu Hanifah – appointed as Executive Director on 5 February 2020.</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

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges and recognises the benefits arising from the boardroom and workforce diversity, including enhancing the Group's performance, improving efficiency and employee retention. Gender diversity includes, but is not limited to, gender, age, ethnicity, culture and socio-economic backgrounds. The Board, through the Nomination and Remuneration Committee, will take steps to ensure that women candidates are also sought as part of its recruitment exercise. Presently, the number of female Director on the Board is one (1), representing approximately 10% of the total Board composition.</p> <p>The Board will review its composition and size from time to time with the aim of eventually to achieve the target of 30% female representation on the Board.</p> <p>The Gender Diversity Policy is published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</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

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The appointment of new Director to the Board is decided and approved by the Board members based on the recommendation of the Nomination and Remuneration Committee.</p> <p>In identifying suitable candidate for appointment of Director, the Board generally take into account recommendations from the Directors, management and various other sources. If necessary, the Board may source the suitable candidate from a Directors' registry and open advertisements or the use of independent search firms.</p> <p>During the year under review, the appointment of the following Directors were based on recommendations by management:-</p> <ul style="list-style-type: none"><li>a) Dato' Haji Razali bin Mohd Yusof;</li><li>b) Dato' Sri Sharifuddin bin Ab Ghani;</li><li>c) Dato' Ibrahim bin Abdullah;</li><li>d) Encik Handrianov Putra bin Abu Hanifah; and</li><li>e) Cik Noor Suhaila binti Saad.</li></ul>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will consider utilising independent sources to identify suitably qualified candidate, if such a need arises.
<b>Timeframe</b>	:	No.

**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 and Remuneration Committee is chaired by Dato' Sri Sharifuddin bin Ab Ghani 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>The Company Secretary facilitated the Nomination and Remuneration Committee (“NRC”) in carrying out the annual evaluation of the effectiveness of the Board, Board Committees and individual Directors based on questionnaires tailor-made for the Company incorporating practices of the Malaysian Code on Corporate Governance 2017.</p> <p>In June 2020, the NRC reviewed the results of the evaluation exercise and considered the comments given by the Board and Board Committees members and the areas for continuous improvement. The NRC agreed that the Board, Board Committees and each individual Director have performed well and effectively during the year under review. The overall results of the evaluation exercise were satisfactory with the rating ranging from the lowest of 3.89 points to the highest of 4.67 points, on a 5-point rating scale. Based on the NRC’s recommendation, the results of the annual evaluation and the areas for continuous improvement were deliberated and adopted by 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

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 experiences required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's Remuneration Framework is designed to increase the motivation level and productivity of the Group's employees and ensures that the salary levels are commensurate to the individual staff performance level. The Remuneration Framework will be reviewed and updated periodically.</p> <p>In May 2019, the NRC reviewed and recommended to the Board for approval the salary increment for the Deputy Managing Director. The key factors used in determining the salary increment were the performance, work commitments and business results of the Group in terms of profit contributions.</p> <p>In December 2019, the NRC reviewed the remuneration package of Dato' Haji Razali bin Mohd Yusof. The NRC took into consideration the existing remuneration package for the Deputy Managing Director and accordingly recommended it for the approval of the Board.</p> <p>In February 2020, the NRC reviewed the Directors' fees and remuneration package payable to the new Independent Non-Executive Directors and Executive Director respectively. The NRC was of the view all the existing and new Independent Non-Executive Directors should be entitled to the same amount of Directors' fees as they would be assuming the same responsibilities. The Board subsequently approved the recommendations by the NRC on the Directors' fees and remuneration package payable to the new Independent Non-Executive Directors and Executive Director respectively.</p>

	<p>In June 2020, the Board approved the NRC’s recommendation for the Company to seek the shareholders’ approval at the Twelfth Annual General Meeting (“AGM”) for the Directors’ fees payable to the Non-Executive Directors of the Company up to an amount of RM1,100,000.00 from the day after the Twelfth AGM until the next AGM of the Company, to be paid monthly in arrears; and the Directors’ benefits payable to the Non-Executive Directors of the Company up to an amount of RM200,000.00 from the day after the Twelfth AGM until the next AGM of the Company.</p> <p>The Remuneration Framework is published on the Company’s website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</a>.</p>	
<p><b>Explanation for departure</b></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><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

### 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>	:	The Nomination and Remuneration Committee ("NRC") comprises exclusively of Non-Executive Directors.  The NRC reviews and recommends the remuneration of the Board and senior management for the approval by the Board.  The authority and the duties and responsibilities of the NRC are set out in its Terms of Reference which is published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</a> .
<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>	:	Applied	
<b>Explanation on application of the practice</b>	:	Detailed disclosure on named basis for the remuneration of individual Directors is set out in the Corporate Governance Overview Statement of the Company's Annual Report 2020.	
<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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has disclosed the top 4 Key Senior Management's remuneration component in bands of RM50,000 but not on named basis due to confidentiality and sensitivity of each remuneration package.</p> <p>The aggregate remuneration of the top 4 Key Senior Management of the Company for the financial year ended 31 March 2020 is set out in the Corporate Governance Overview Statement of the Company's Annual Report 2020.</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 7.3 - 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 non-adoption of the practice</b>	:	Due to the confidentiality of the remuneration package of the respective senior management.

**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>	:	<p>The Chairman of the Audit Committee and the Chairman of the Board are held by two (2) distinct individuals.</p> <p>The Audit Committee is led by Mr Yee Kim Shing @ Yew Kim Sing, who is a member of the Malaysian Institute of Accountants (MIA), the Institute of Chartered Accountants, Australia and the Institute of Certified Public Accountants of Singapore.</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 8.2

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 Company recognises the importance of independence of its external auditors and that no possible conflict of interest whatsoever should arise.</p> <p>The requirement of a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee ("AC") is reflected in the Term of Reference of the AC.</p> <p>The Terms of Reference of the AC is published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</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

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>The Audit Committee ("AC") has adopted the External Auditors Assessment Policy.</p> <p>The AC conducted an annual assessment of the suitability and independence of the external auditors, Messrs. Crowe Malaysia PLT in respect of the financial year under review. The AC was satisfied with the performance and independence of the external auditors as well as the fulfillment of criteria based on several factors, which includes, inter-alia, the quality processes/performance based on international auditing standards or practices, adequacy of the firm's expertise and its resources to carry out the audit work, as set out in the External Auditors Assessment Policy.</p> <p>Based on the outcome of the annual assessment of external auditors and the AC's recommendation, the Board is in a position to recommend for the shareholders' approval, the re-appointment of Messrs. Crowe Malaysia PLT as auditors of the Company at the forthcoming Twelfth Annual General Meeting.</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 8.4 - 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 of three (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 Board regards the members of Audit Committee ("AC") collectively are financially literate and able to understand matters under the purview of the AC which includes the financial reporting process. The AC assists the Board in its oversight over management in the implementation and monitoring of financial reporting, risk management and internal control systems.</p> <p>The training attended by the AC members during the year under review are set out in the Corporate Governance Overview Statement of the Company's Annual Report 2020.</p> <p>In addition, to keep abreast of relevant developments in accounting and auditing standards, the AC is regularly briefed by the External Auditors on key changes in accounting standards, practices and rules.</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 Board has established an Enterprise Risk Management Framework to provide on-going and consistent process for identifying, assessing, monitoring and reporting of significant risks faced by the respective business units and ultimately the Group, so as to effectively deal with uncertainties associated with risks and opportunities.</p> <p>The Board is supported by the Risk Management Committee ("RMC") in overseeing risk management and internal control policies and procedures in order to manage the overall risk exposure of the Group.</p> <p>The Terms of Reference of the RMC is published on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</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**

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>	:	The features of the Company’s risk management and internal control framework, and the adequacy and effectiveness of the framework are set out in the Statement on Risk Management and Internal Control of the Company’s Annual Report 2020, which was reviewed by the External Auditors and 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**

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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Board established the Risk Management Committee which comprises of three (3) members, all of whom are Independent Directors to oversee the risk management process within the Group.

**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 internal audit function is led by the Chief Internal Auditor who reports directly and functionally on audit issues to the Audit Committee (“AC”) whilst the administrative matters are dealt with by the Managing Director.</p> <p>The AC reviewed and approved the Audit Planning Memorandum of the Internal Audit Department with emphasis on the audit scopes of work, audit activities and planned of work, adequacy of resources and sufficiency of coverage of auditable areas selected on the practice of risk-based audit approach.</p> <p>The AC also reviewed and discussed the Internal Audit Reports which consists of the audit findings, recommendations and the corrective actions agreed and committed upon by the Management which will ensure that all key risks are addressed on a timely basis and that the mitigating controls are in place.</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 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 work which formed part of the internal audit function is governed by the Internal Auditor Charter.</p> <p>The Chief Internal Auditor, Puan Norreen binti Mohd Salim is a member of the Malaysian Institute of Accountants and Institute of Internal Auditors with over 14 years of professional experience.</p> <p>The internal audit function conduct auditing in a manner that meet the requirements of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.</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's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</a>, incorporates the corporate information of the Company and is accessible to the shareholders and investors. The Investor Relations section which provides all the relevant information on the Company's shares, financial information, announcements made by the Company to Bursa Malaysia Securities Berhad, latest media news on the Company as well as the Directors' profile, Board Charter, Terms of Reference of the Board Committees, Corporate Disclosure Policy and Procedures, Code of Conduct and Ethics for Directors, Whistleblowing Policy, Shareholders Communication Policy, Gender Diversity Policy, External Auditors Assessment Policy and Anti-Bribery and Anti-Corruption Policy. The Company has continuously leveraged on information technology for broader and effective dissemination of information to the shareholders and investors.</p> <p>During the Annual General Meeting of the Company, the shareholders have the opportunities to enquire and comment on the Company's financial performance and operations with the additional opportunity of engaging with the Board for a meaningful dialogue.</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>	:	The Company has yet to adopt integrated financial reporting framework, the implementation of which has not been made mandatorily by the authorities.	
	:	-	
<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>	:	Choose an item.	

**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>	:	The Twelfth Annual General Meeting (“AGM”) of the Company is scheduled on 17 September 2020 and the Notice of AGM will be issued on 10 August 2020, giving shareholders more than 28 clear days’ notice prior to the AGM.	
<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 12.2**

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>	:	<p>At the Eleventh Annual General Meeting (“AGM”) of the Company held on 1 August 2019, thirteen (13) out of the fourteen (14) Directors attended the AGM. All the senior management attended the Eleventh AGM.</p> <p>The shareholders present at the Eleventh AGM were invited to ask questions about the resolutions proposed at the AGM before putting them to vote by poll as well as matters relating to the Group’s businesses.</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**

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>At the Eleventh Annual General Meeting (“AGM”) of the Company held on 1 August 2019, there were a total 113 shareholders and proxy holders attended the AGM.</p> <p>The Company has implemented electronic shareholder registration and electronic poll voting system which encourages and facilitate shareholders’ participation at the general meetings.</p> <p>The Board will leverage on technology to facilitate voting in absentia and remote shareholders’ participation at the forthcoming Twelfth AGM.</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>	:	

**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.*

This Section B is not applicable to Datasonic Group Berhad.
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