

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5216  
**COMPANY NAME** : Datasonic Group Berhad (Company No. 809759-X)  
**FINANCIAL YEAR** : March 31, 2018

## 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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board determined the vision, mission, strategies of the Company, to guide and set the pace for its current operations and future development. On quarterly basis or as and when required, the Board will review and evaluate present and future opportunities, threats and risks in the internal and external environment and current and future strengths, weaknesses and risks relating to the Company.</p> <p>The Board delegated the authority to the Board Committees, Executive Committee, Management Committee and Project Planning and Management Office, and monitor and evaluate the implementation of policies, strategies and business plans. In discharging its duties and responsibilities, the Board exercises accountability to shareholders and be responsible to relevant stakeholders, and ensure that its obligations to its shareholders and other stakeholders are understood and met.</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 1.2

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

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Chairman provides leadership and governance of the Board so as to create the conditions for overall Board's and individual Director's effectiveness and responsibilities, and ensures that all key and appropriate issues are discussed by the Board in a timely manner.</p> <p>The Chairman is accountable to the Shareholders and Stakeholders 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.</p> <p>The responsibilities of the Chairman of the Board have been specified in the Company's Board Charter, which is available for reference 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

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.

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| <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. Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B) is the Independent Non-Executive Chairman while Datuk Haji Abu Hanifah bin Noordin is the Managing Director of the Company.</p> <p>The division of roles between the Chairman and Managing Director are clearly defined in the Company's Board Charter, which is available for reference 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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board is supported by a suitably qualified, experienced and competent Company Secretary.</p> <p>The roles and responsibilities of the Company Secretary include, but are not limited to the following:-</p> <ul style="list-style-type: none"> <li>• Manage all Board and Board Committees meetings, attend and record minutes of the said meetings and facilitate Board communications;</li> <li>• Advise the Board on its roles and responsibilities;</li> <li>• Facilitate the orientation of new directors and assist in director training and development;</li> <li>• Advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;</li> <li>• Manage processes pertaining to the annual shareholder meeting;</li> <li>• Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and</li> <li>• Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.</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 1.5

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.

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| <b>Application</b>                                | : | Departure   |
| <b>Explanation on application of the practice</b> | : | <p>With effect from August 2017, the Company has implemented paperless environment for all Board and Board Committees meetings, which enables digital access to meeting materials via email and an Application ("App"). The Company Secretary will ensure that the meeting materials are sent via email and at the same time uploaded onto an App as soon as practicable upon receipt 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 the Board's and Board Committees' performance and overall effectiveness of decision-making issues.</p> <p>The notice of meetings and meeting materials with the relevant and adequate information are distributed 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, seek any clarification that they may need from Management, consult the Company Secretary or independent advisers prior to the meetings, if necessary, and to raise important issues during the meeting.</p> <p>Meeting agendas are sequenced taking into considerations the complexity of the proposals and whether there are items for approval, discussion or notation by the Board and Board Committees in order for the Board and Board Committees meetings to be more effective and to enable in-depth deliberations of matters. 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. The Company Secretary will also follow-up with the Management on status of actions taken with reference to the previous minutes of meetings for updating the Board. Action items would stay as matters arising in the minutes of meetings until they are resolved.</p> |

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| <b>Explanation for departure</b>   | : Partial departure given that the meeting materials were circulated less than 5 business days in advance of the Board meeting. |
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| <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.

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| <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 in November 2017 to be in line with the practices in the Malaysian Code on Corporate Governance 2017.</p> <p>The Board Charter is available for reference 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.

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| <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. The Employee Handbook had been revised in April 2018 with changes incorporated in respect of dental and optical benefits, bereavement aid, service awards, maternity leave, overtime allowance, training and development, hotel/accommodation (for overseas), meal allowance, training bond and entitlement, service award etc.</p> <p>The Code of Conduct and Ethics for Directors is made available for reference 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.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Whistleblowing Policy and Procedures 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>The Managing Director and/or specific persons specifically directed by him (“Investigator”) will be responsible for carrying out investigation under this Whistleblowing Policy and Procedures.</p> <p>The Investigator is required to report all concerns raised, the status of all pending and on-going investigations, and any action taken or to be taken as a result of the investigations, as well as the status of follow-up actions taken by the Human Resource Department to the Managing Director and/or the Executive Committee as appropriate.</p> <p>The Internal Auditor or the External Auditor may be requested to conduct further investigations as appropriate. In addition, the Management may engage, consult and obtain external legal or other independent professional advice on a case to case basis.</p> <p>A report, amongst other things, including relevant and appropriate recommendations shall be submitted to the Board of Directors for its deliberation and further actions if the outcome of the investigation substantiates that fraudulent or unlawful activities have occurred within the Datasonic Group.</p> <p>The Whistleblowing Policy and Procedures is made available for reference on the Company’s website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</a>.</p> |
| <b>Explanation for departure</b>                  | : |  |

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| <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.

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| <b>Application</b>   | : | Departure   |
| <b>Explanation on application of the practice</b>  | : |   |
| <b>Explanation for departure</b>   | : | <p>The Board comprises fourteen (14) members, six (6) of whom are Independent Non-Executive Directors (“INED”).</p> <p>The Board is mindful that the number of INED is less than the majority of the Board composition. However, the Board is of the opinion that its current Board size of fourteen (14) members comprising of 43% INEDs is effective and appropriate. The Board has a good mix of skills and core competencies in the Board membership. The lack of majority independent directors does not jeopardise independent Board’s deliberations and all decisions are made in the best interest of the Company.</p> <p>For the year under review, the Board through the Nomination and Remuneration Committee has received affirmation from the INEDs 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.

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| <b>Application</b>   | : | Not applicable - No independent director(s) serving beyond 9 years   |  |
| <b>Explanation on application of the practice</b>  | : | There are no independent Directors serving the Board beyond nine (9) years, as set out in the Company's Annual Report 2018.<br><br>If the Board intends to retain an Independent Director beyond nine (9) years, it will provide justification and seek annual shareholders' approval.<br><br>If the Board continues to retain the independent director after the twelfth (12th) year, it will seek annual shareholders' approval through a two-tier voting process. |  |
| <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.

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| <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.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The appointment of new Directors is under the purview of the Nomination and Remuneration Committee (“NRC”) whose primary responsibilities are to evaluate, assess and recommend candidates for the Board’s approval.</p> <p>The NRC interviews shortlisted candidates before formally considering and recommending them for appointment to the Board.</p> <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; legal and shariah law. 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, there is no new appointment of Director or Key Senior Management.</p> |
| <b>Explanation for departure</b>                  | : |   |

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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
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| <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.

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| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</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 Directors on the Board is two (2), representing approximately 14% of the total Board composition.</p> <p>In May 2017, the Board had adopted the Gender Diversity Policy and is available for reference on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</a>.</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 4.6**

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.

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| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | 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 (“NRC”).   |  |
|  |   | 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. |  |
| <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.

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| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Nomination and Remuneration Committee is chaired by Dato' Zaiful Ayu Ibrahim bin Ibrahim 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.

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| <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 May 2018, 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 4.21 points to the highest of 4.71 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.

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| <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>As a general principle, the remuneration of Directors and Key Management Staff (i.e. Directors of the subsidiary companies, Chief Operating Officer and Heads of Departments) should be linked to their level of responsibilities and how well these responsibilities have been discharged by them.</p> <p>The remuneration packages of Executive Directors are to be structured so as to link reward to corporate and individual performance to encourage high performance standard.</p> <p>The fees for Non-Executive Directors should reflect the level of responsibility undertaken by them and their contribution to the effective functioning of the Board.</p> <p>The Remuneration Framework is available for reference 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>   | : |   |

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| <b>Timeframe</b> | : |  |  |
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### Intended Outcome

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

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

### Practice 6.2

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.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | The Nomination and Remuneration Committee ("NRC") comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors.<br><br>The authority and the duties and responsibilities of the NRC are set out in its Terms of Reference which are available for reference 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.

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| <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 2018. |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <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 five 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 5 Key Senior Management of the Company for the financial year ended 31 March 2018 is set out in the Corporate Governance Overview Statement of the Company's Annual Report 2018.</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 adoption of the practice</b> | : | Please refer to item 7.2 above. |

**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 Audit Committee (“AC”) is led by Mr. Yee Kim Shing @ Yew Kim Sing while the Board is helmed by Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B), both of whom are Independent Non-Executive Directors.</p> <p>The Terms of Reference of the AC had been revised on 25 May 2018 to be in line with Practice 8.1 of the Malaysian Code on Corporate Governance 2017 that “The AC Chairman is not the Chairman of 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 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 revised Term of Reference of the AC approved by the Board on 25 May 2018.</p> <p>The revised Terms of Reference of the AC is available for reference 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 (FKA Crowe Horwath) 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>For the audit of the financial year ended 31 March 2018, Messrs Crowe Malaysia (FKA Crowe Horwath) had provided confirmation to the AC that they will continuously comply with the relevant ethical requirements regarding independence with respect to the audit of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws (On Professional Ethics, Conduct and Practice).</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 (FKA Crowe Horwath) as auditors of the Company at the forthcoming 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, through Nomination and Remuneration Committee ("NRC"), had reviewed the terms of office and performance of the Audit Committee ("AC") and its members through an annual assessment.</p> <p>Following the annual review, the NRC agreed that the overall composition of the AC in terms of size, mix of skills, experience, core competencies and the balance between the AC members were appropriate, and collectively, the AC members are financially literate and able to understand matters under the purview of the AC which includes the financial reporting process.</p> <p>The AC Chairman, Mr. Yee Kim Shing @ Yew Kim Sing 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, thus, fulfilling Paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</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 2018.</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> <p>Subsequent to the end of the financial year, at the AC's request, the external auditors, Messrs. Crowe Malaysia (FKA Crowe Horwath) had conducted a half day training on MFRS 9: Financial Instruments and MFRS 15: Revenue from Contracts with Customers for the Board members and the Management on 11 April 2018.</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") which was established on 25 August 2017 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 available for reference 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 2018. |  |
| <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 on 25 August 2017, which comprises of four (4) members, a majority of whom are Independent Directors. |

## 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 on technical matters to the Audit Committee (“AC”) whilst the administrative matters are dealt with the Managing Director.</p> <p>The AC reviewed and approved the Audit Planning Memorandum of the Internal Auditors 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 mitigating controls are in place.</p> <p>The appointment, remuneration, performance appraisal, transfer and removal of the Chief Internal Auditor is initiated by the AC to the Board and management, as applicable.</p> <p>Details of the internal audit function are set out in the Statement on Risk Management and Internal Control and the Audit Committee Report of the Company’s Annual Report 2018.</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.</p> <p>The internal audit function will conduct internal auditing in a manner that would 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 Corporate Disclosure Policy and Procedures established by the Board outlines the Company's approach towards the determination and dissemination of material information, the circumstances under which the confidentiality of information will be maintained and restrictions on insider trading. It also provides guidelines in order to achieve consistent disclosure practices across the Company.</p> <p>In May 2017, the Board established the Shareholders Communication Policy which sets out the standards and requirements of the Company in relation to the shareholders' communications, with the objective of ensuring fair, timely, effective, transparent, accurate and open communications with the shareholders of the Company.</p> <p>The Corporate Disclosure Policy and Procedures and the Shareholders Communication Policy are made available for reference on the Company's website at <a href="http://www.datasonic.com.my">www.datasonic.com.my</a>.</p> <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. It also incorporates an 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 and Procedures, Shareholders Communication Policy, Gender Diversity Policy and External Auditors Assessment Policy. The Company has continuously leveraged on information technology for broader and effective dissemination of information to the shareholders and investors.</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. |  |
|  |   |   |  |
| <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>  | : | The Tenth Annual General Meeting (“AGM”) of the Company is scheduled on 25 July 2018 and the Notice of AGM will be issued on 26 June 2018, giving shareholders 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 Ninth Annual General Meeting (“AGM”) of the Company held on 13 September 2017, all the 14 Directors and senior management attended the AGM accordingly.</p> <p>The shareholders present at the AGM were invited to ask questions about the resolutions being proposed at the AGM before putting them to vote by poll.</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>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | At the Ninth Annual General Meeting (“AGM”) of the Company held on 13 September 2017, there were less than 90 shareholders and proxy holders attended the AGM. The Company will not consider leveraging on technology to facilitate voting in absentia as the general meeting is not held on a remote location. |  |
|  |   |   |  |
| <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. |
|---|