

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0169
COMPANY NAME : SMTRACK BERHAD
FINANCIAL YEAR : July 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.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>(a) The Board's pivotal role is to lead and establish the Group's vision, provision of strategic direction, formulation of policies and enhancement of resources for the Group. The Board takes into consideration the interests of all stakeholders in the decision making process so as to ensure the Group's objectives of creating long term shareholder value are met.</p> <p>An effective Board is the one that made up of a combination of executive directors with intimate knowledge of the business and non-executive directors from diversified industry/business background to bring broad business and commercial experience to the Group. The Group is led by a strong and experienced Board under the Executive Chairman.</p> <p>The Board placed great importance on the balance of its Independent Directors where they serve as an essential source of impartial and professional guidance to protect the interest of the shareholders. The Independent Non-Executive Directors are professionals of high caliber and credibility who play a pivotal role in corporate accountability by contributing their knowledge, advice and experience towards making independent judgment on issues of strategies, performance, resources and standards of conducts.</p> <p>The salient features of the Board Charter had been uploaded on the Company's website at www.smtrackberhad.my</p> <p>For certain day-to-day operations, the Board has delegated authorities and powers to Management with the prescribed limits of authority.</p> <p>(b) The Audit and Risk Management Committee ("ARMC") is authorised by the Board to independently investigate any activity within its Terms of Reference and shall have unrestricted access to information to the Group, from the internal and external auditors, management and all employees.</p> |

| | | |
|---|--|--|
| | <p>The ARMC review and report to the Board the risks faced by the Group and the effectiveness of Management’s measures in the identification and assessment of the risks as well as the design management and monitoring of internal controls to mitigate risks.</p> <p>(c) The Board through the Nomination Committee is responsible to ensure that there is an effective and orderly process of appointment of new directors. The Nomination Committee has reviewed and assessed the size of the Board, required mix of skills, experience, performance and contribution of Directors.</p> <p>(d) The Board, upon the recommendation of the Remuneration Committee, will determine the remuneration package of each of the Board Members. Individual Director do not participate in the decisions regarding his individual remuneration.</p> | |
| <p>Explanation for departure</p> | : | |
| | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | : | |
| <p>Timeframe</p> | : | |

Intended Outcome

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

Practice 1.2

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

| | |
|---|---|
| Application | : Applied |
| Explanation on application of the practice | <p>Dato' Sri Shaharuddin Bin Khalid was appointed as the Independent Non-Executive Chairman on 19 October 2020.</p> <p>As Chairman of the Board, Dato' Sri Shaharuddin carries out an effective leadership to the Board and guide the vision, strategic direction and business development of the Group, and at the same time be guided by the independent advice and views from the Independent Directors, who offer the necessary checks and balances in the decision making process of the Board.</p> <p>The Chairman is also one of the contact person for reporting any complaints or improper conduct by the Directors, the stakeholders can provide their views to the Senior Independent Director at any point of time.</p> <p>The Chairman presides over board meetings and instils good governance practices by ensuring that all directors' views are heard, sufficient time for discussion of each agenda, and fair opportunity is provided to all directors to participate actively and constructively during the meetings and discussions. Some of the function performed by Dato' Sri Shaharuddin as Chairman of the Board of Directors include the following:-</p> <ul style="list-style-type: none">(a) Leads the Board by setting the tone at the top and managing the Board's effectiveness by focusing on strategy, governance and compliance. In turn, the Board monitors the functions of the Board Committees in accordance with their respective Terms of Reference to ensure effectiveness.(b) Sets the Board agenda for each meeting with the assistance of the Company Secretary and the same is circulated to the Board Members accordingly.(c) Leads the meeting pace and discussions in an effective manner.(d) Provides his objective views and decisions during deliberations at Board meetings to resolve situations when there are differing views amongst the Board Members and/or the Senior Management. |

| | | |
|--|--|--|
| | (e) Leads the Board by ensuring that the Group adheres to all the relevant laws and regulations as well as monitors its good corporate and best practices. | |
| Explanation for departure | : | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.3

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>SMTrack does not have CEO, however, the positions of Chairman and Executive Director are held by different individuals. The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board, while the Executive Director is responsible for making and implementing operational and corporate decision as well as developing, coordinating and implementing business and corporate strategies.</p> <p>The distinct and separate roles of the Chairman and Executive Director, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.4

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company Secretary is a qualified Chartered Secretary (ICSA) and Fellow Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>The Company Secretary plays an advisory role to the Board in relation to the Company's Constitution, the Board's policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary is suitably qualified, competent and capable of carrying out the duties required and has attended training and seminars conducted by relevant regulatory bodies to keep abreast with the relevant updates on statutory and regulatory requirements and updates on the ACE Market Listing Requirements ("AMLR") of Bursa Securities.</p> <p>The Company Secretary advises the Board on corporate disclosures and compliance with the relevant changes to the laws, rules and regulations, which include amendments on Malaysian Code on Corporate Governance and AMLR.</p> <p>The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares, in accordance with Chapter 14 of the AMLR of Bursa Securities. Deliberations during the Board and Board Committees' meetings were properly minuted and documented by the Company Secretary.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.5

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and tabled to the Board in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees as well as Annual General Meeting.</p> <p>Reasonable notice of meetings and the agenda on the business to be conducted at the meetings and meeting material that provided relevant information such as minutes of previous meetings, management reports and financial reports were furnished to the Directors at least seven (7) working days prior to the Board meeting so that each Director had ample time to review the papers to enable informed decision making.</p> <p>The deliberations and decisions at the Board and Board Committee meetings are well documented and minuted. The action to be taken by respective parties will be in the minutes so that the Board can follow up with the respective parties on the status of the matters discussed during the previous meeting.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 2.1

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

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>In performing its duties, the Board is guided by the Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting procedures. The key elements of governance principles embedded in the Board Charter regulate the Board's conducts and guide the business strategic initiative of the Group.</p> <p>The Board would regularly review the Board Charter and the Terms of Reference of the Board Committees to ensure they remain consistent with the Board's objective and responsibilities, and relevant standards of corporate governance.</p> <p>The Board Charter is available on the Company's website at www.smtrackberhad.my</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 3.1

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

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group has in place a Code of Conduct and Ethics for Directors and employees. The said Code is available at the Company's website at www.smtrackberhad.my.</p> <p>The above Code is reviewed periodically to ensure relevancy and alignment with the prescribed requirements and best corporate governance practices. The Board is mindful of its leadership in business ethics practices as one of the key elements of business sustainability.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 3.2

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company has in place a Whistleblowing Policy which outlines the procedures when, how and to whom employees may report and raise in good faith and in confidence, any concern about possible improprieties in matters of financial reporting or other matters.</p> <p>The Whistleblowing Policy is regularly reviewed by the Board as and when required to ensure that it remains relevant and appropriate.</p> <p>The Whistleblowing Policy is available at the Company's website at www.smtrackberhad.my.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.1

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board currently consists of six (6) members, comprising one (1) Executive Director, one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors. This meets the requirements of Rule 15.02(1) of the ACE Market Listing Requirements.</p> <p>The profile of the Directors are disclosed in the Annual Report under the section of Profile of Directors.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.2

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

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

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

Intended Outcome

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

Practice 4.3 - Step Up

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

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

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

Practice 4.4

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

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Nomination Committee will recommend to the Board on suitable candidates for appointment as Board members, member of Board Committees and Executive Director of the Company based on the following evaluation criteria:</p> <ul style="list-style-type: none"> • Age and gender; • Qualification, skills, industry knowledge, expertise and experience; • time commitment to effectively discharge his role as a director; • contribution and performance; • character, integrity and competence; • boardroom diversity including gender diversity; and • in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from independent non-executive directors. <p>This helps to ensure an appropriate balance between the experience perspectives of the long-term directors and new perspectives that bring fresh insights to the Board.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.5

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

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>The Board acknowledges the call by the Government and MCGG for boards to comprises at least 30% woman on board.</p> <p>The Board is mindful that any gender representation should be in the best interest of the Company. Although the Company has not reached the 30% woman representation target at Board level as require, the Board is putting its effort in getting other suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age to join the Board.</p> <p>The Board does not have specific policy on diversity policy and measures, However, the issue of diversity is discussed by the Nomination Committee.</p> <p>The Board will take steps towards formalising such policy, targets and measures to reflect the Company's commitment towards gender diversity.</p> | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>Appointment of new Director is undertaken by the Board as a whole after considering the recommendation of the Nomination Committee ("NC").</p> <p>Potential candidates may be proposed by any current Board member, shareholder or by utilising independent sources such as recruitment firms or through industry associations. In considering potential candidates for appointment, the NC undertakes a thorough review of the candidate's criteria, amongst others, qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role.</p> <p>The final decision as to whom shall be appointed remains the responsibility of the Board as a whole.</p> <p>The policies and procedures for recruitment and appointment (including re-election/re-appointment) of Directors are set out in the Terms of Reference of the NC.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.7

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Nomination Committee comprises exclusively Non-Executive Directors. The current Chairman for the Nomination Committee is Encik Mahnorizal Bin Mahat, who is the Senior Independent Non-Executive Director. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 5.1

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

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Nomination Committee annually performs an assessment of the effectiveness and performance of the Board, Board Committees and individual Directors, in order to verify that the Board is functioning appropriately as a whole. Each Director completed a detailed questionnaires in the Directors' Performance Evaluation which covered matters relevant to the Board performance, amongst others, contribution to interaction, quality of input, understanding of role and personal developments.</p> <p>An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms of Reference. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>On a yearly basis, the Remuneration Committee reviews and recommends to the Board the remuneration package of the Executive Directors and Non-Executive Directors. In making its recommendation, the Remuneration Committee considers various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of them and the Group's performance. The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors.</p> <p>The benefits payable to the said Directors shall from time to time be determined by an Ordinary Resolution of the Company in a general meeting in accordance with Section 230 of the Companies Act 2016.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Remuneration Committee is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits that are fairly guided by market norms and industry practices for the business the company is in.</p> <p>The Remuneration Committee is also responsible for evaluating the Executive Director's remuneration which is linked to the performance of the Executive Directors and performance of the Group. Individual Director do not participate in the decisions regarding his individual remuneration.</p> <p>Full details of the Terms and Reference of the Remuneration Committee are available at www.smtrackberhad.my.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The details of the individual Directors' remuneration for the financial year ended 31 July 20120 with breakdown into salaries and bonuses, fees, meeting allowances and benefits-in-kind are disclosed in the Corporate Governance Overview Statement of the Group's Annual Report 2020. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.2

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

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The details of senior management's remuneration are not shown, as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature and to support the Company's efforts in retaining executive talents. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to senior management's remuneration are appropriately served by the disclosures in the RM50,000 bands. The total remuneration paid to each senior management reflects the time and effort devoted to fulfil his or her responsibilities on the Board and linked to the Group's performance. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.3 - Step Up

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

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman of the Audit and Risk Management Committee is Encik Mahnorizal Bin Mahat. While, the Chairman of the Board is Dato' Sri Shahrudin Bin Khalid. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Group has always recognised the need to uphold independence. None of the members of the Board or Board Committees were former key audit partners.</p> <p>In line with the recommended practice 8.2 of the MCCG, the Audit and Risk Management Committee (ARMC) had revised its Terms of Reference to include a clause on a minimum cooling-off period of two (2) years before a former key audit partner can be appointed as a member of the ARMC.</p> <p>During the financial year, none of the members of the ARMC was a former key audit partner of the Group and the Company.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board, through its Audit and Risk Management Committee (ARMC) maintains a formal and transparent relationship with its External Auditors. The Board had delegated the responsibility to the ARMC for making recommendations on the appointment, re-appointment or removal of the External Auditors as well as on their remunerations. The ARMC ensured that the External Auditors work closely with the Internal Auditors to enhance the effectiveness of the overall audit process.</p> <p>The ARMC assessed the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence. The objective of the said review is to assess the quality of the audit firm's performance and if satisfied, to recommend for re-appointment.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|---|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | The Audit and Risk Management Committee (ARMC) comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Chairman of the ARMC is not the Chairman of the Board. |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board reviews the terms of office of the Audit and Risk Management Committee (ARMC) and assesses the performance of the ARMC and its members through an annual Board Committee effectiveness evaluation.</p> <p>The ARMC are encouraged to participate in relevant training programmes for continuous professional development and to further enhance their skills and knowledge. The Directors are aware that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments in the industry as well as new statutory and regulatory developments including changes in accounting standards.</p> <p>The Chairman of the ARMC, Encik Mahnorizal Bin Mahat is financial literate, and thus, fulfilling Rule 15.09(1)(c) of ACE Market Listing Requirements.</p> <p>The other ARMC members was briefed on the Amendments to Listing Requirements during the financial year end.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group's risk management and internal control framework is an ongoing process, and has been in place for identifying, evaluating and managing significant risks that faced or potentially to be encountered by the Group. The Board regularly reviews the process.</p> <p>The Board has established an Internal Audit Function which is currently outsourced to an independent internal audit consulting firm (Internal Auditors). Functionally, the Internal Auditors report to the Audit and Risk Management Committee directly and they are responsible for conducting regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls and processes within the Group.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.2

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | Details of the features of risk management and internal control framework, and the adequacy and effectiveness of the framework are disclosed in the Statement on Risk Management and Internal Control of the Company’s Annual Report. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

| | | |
|--|---|---|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | <p>The Company has combined the risk management function together with the Audit and Risk Management Committee (ARMC) which comprises solely of Non-Executive Directors.</p> <p>The ARMC will identify and assess the risks faced by the Group, monitor and implement appropriate internal controls to manage and mitigate those risks.</p> |

Intended Outcome

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

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Group’s internal audit function is carried out by an outsourced internal audit firm which is independent of the activities the Internal Auditors audit. The Board, through the Audit and Risk Management Committee conducts annual review on the effectiveness of the internal audit function including assessing the quality of audit review and ensuring that the Internal Auditors have sufficient knowledge and experience to perform their role effectively.</p> <p>The Internal Auditors reports directly their findings to the Audit and Risk Management Committee during its quarterly meetings.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 10.2

The board should disclose–

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Group’s internal audit function is carried out by an outsourced internal audit firm, namely, insight Advisory Services Sdn. Bhd. who is independent of the activities the Internal Auditors audit. The Head of the Internal Auditors is a member of Institute of Internal Auditors Malaysia and is competent to conduct the internal audit activities according to the standards and code of ethics set by the body.</p> <p>The Internal auditors are free from any relationships or conflicts of interest, which could impair their objective and independence.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 11.1

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

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board values the relationship between the Company and its stakeholders. The Board also recognises the need for transparency and accountability to the Company's stakeholders, and regular communication with its shareholders, stakeholders and investors on the performance and major developments of the Group. The Company has put in place the following initiatives to facilitate effective reporting and communication with its shareholders and investors:</p> <p>(a) the Annual Report, which contains information such as Management Discussion and Analysis, financial statements, and information on the Audit and Risk Management Committee, Corporate Governance, Sustainability and Corporate Social Responsibility, and Risk Management and Internal Control;</p> <p>(b) various announcements made to Bursa Securities, which include timely release of financial results on a quarterly basis. Concurrent with these releases, the Company posts all announcements on its website; and</p> <p>(c) the Company's website at www.smtrackberhad.my which houses Board Charter, annual reports, quarterly report announcements and other corporate information on SMTrack.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | SMTrack is not a Large Company as defined in the MCCG 2017. Thus, the practice is not applicable. Nonetheless, the Company would consider adopting integrated reporting based on globally recognised framework when the Company becomes a Large Company. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.1

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Notice of Annual General Meeting (“AGM”) was sent to the shareholders at least 28 days prior to the date of the meeting.</p> <p>The additional time given to shareholders allows them to consider the resolutions that will be discussed and decided at the AGM and to make the necessary arrangements to attend and participate in person.</p> <p>The Notice of AGM which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The last Annual General Meeting (AGM) held on 27 December 2019 was attended by majority of the Directors. Although not all Directors were present at the AGM, the following key personnel were present in person to engage directly with the shareholders:</p> <ul style="list-style-type: none"> (a) The Executive Director (b) All the Independent Non-Executive Directors (c) The engagement partners of the External Auditors (d) The Company Secretary | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.3

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

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

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Annual General Meeting is an essential platform for the shareholders to meet and exchange views with the Board. | |
| | | <p>Currently, all resolutions put forth are voted by the members present personally. For shareholders whom are unable to attend and vote at the Annual General Meeting of the Company are encourage to submit the proxy form to the Share Registrar and this allows them to vote in absence.</p> <p>Moving forward, the Company will consider leveraging on technology to facilitate grater shareholders’ participation in Annual General Meeting.</p> | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

**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.

Click here to enter text.

