

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 8125  
**COMPANY NAME** : Daibochi 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 TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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

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

### Intended Outcome

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

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Board provides effective leadership by setting appropriate values and strategic direction to ensure that the objectives of the Group are achieved. All Directors are expected to discharge their fiduciary duties and leadership functions objectively, at all times, in the interests of the Group. There are clearly defined matters reserved for the Board's decision, whilst those not specifically reserved for the Board and which are necessary for the day to day management of the Company are delegated to the Managing Director and the Management team to optimise operational efficiency.</li> <li>• The Board formed four (4) Board Committees ("BCs"), namely the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC"), entrusted to support the Board in discharging its duties efficiently. The BCs are chaired by an Independent Non-Executive Director ("INED") of the Company to promote good governance and transparency and their Terms of Reference are available at <a href="http://daibochi.com/corporate-governance">http://daibochi.com/corporate-governance</a>, to be reviewed from time to time.</li> <li>• The Board's roles and responsibilities include the following matters:             <ul style="list-style-type: none"> <li>➢ <u>Advocate good corporate governance culture within the Group</u> <ul style="list-style-type: none"> <li>- The Board sets the "tone at the top" for the Group's governance standards by promoting a strong culture of integrity, prudent, professional and ethical behaviour.</li> <li>- Management ensures that the corporate governance framework is implemented through well-defined policies and procedures to enhance business efficacy, performance and accountability.</li> </ul> </li> <li>➢ <u>Oversee the Group's conduct of business</u> <p>The Board assesses Management's performance via reviews of quarterly financial reports and yearly annual financial statements which are tabled at Board meetings. The Board also receives briefings/updates on key operational issues from the Management team. Collectively, these enable the Board to review, monitor and oversee Management to determine whether the business is properly managed and keep abreast of challenges, risks and opportunities.</p> </li> <li>➢ <u>Strategic Plan</u> <p>Information on the Group's operational and financial performance is presented at Board meetings. The annual budget for the ensuing year is also tabled to the Board for approval.</p> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>➤ <u>Risk management and internal control systems</u> The Board is responsible for the Group's risk management and internal control systems and for reviewing its adequacy and effectiveness. There is a structured process for identifying, evaluating, mitigating and monitoring risks to ensure prudent risk management of the Group's business and operations. The RMC supports the Board in terms of risk governance.  Details of the Group's risk management and internal control systems are set out in the Risk Management and Internal Control Statement in the Annual Report.</li> <li>➤ <u>Succession planning of the Board and Senior Management</u> The Board (with the NC and RC's assistance) ensures that individuals appointed as Directors and members of the Senior Management team have the calibre, skills, expertise, experience and competencies in their respective fields for continuity and orderly renewal of the Board and key Management positions.</li> <li>➤ <u>Effective communication with stakeholders</u> The Board has effective communication policies/procedures to enable the Board and Management to communicate effectively with shareholders and other stakeholders to ensure timely and equal dissemination of relevant information pertaining to the Group's business. Details of the corporate disclosure framework and practices are set out in Practice 11.1 herein.</li> <li>➤ <u>Integrity of the Group's financial and non-financial reporting</u> The Board, through the AC reviews the adequacy and integrity of the Group's financial and non-financial disclosures for effective and balanced reporting.</li> <li>➤ <u>Sustainability</u> The Board strives to embed sound sustainable business practices throughout the Group's operations to ensure long-term value creation for our stakeholders.</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 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• Mr. Heng Fu Joe, an Independent Non-Executive Director (“INED”) was appointed as the Chairman of the Board on 1 November 2017.</li> <li>• The Chairman: <ul style="list-style-type: none"> <li>➢ provides leadership to the Board to enable the Directors to perform their duties and responsibilities effectively;</li> <li>➢ encourages positive contribution from each Board member and promotes a conducive environment which allows for debate and constructive challenge during Board meetings;</li> <li>➢ encourages constructive relations between the Board members and Management;</li> <li>➢ ensures effective communications between shareholders, the Board and Management at general meetings; and</li> <li>➢ advocates high standards of corporate governance with the full support of the Directors, Company Secretaries and Management.</li> </ul> </li> <li>• The Chairman is also the Senior INED of the Board and acts as: <ul style="list-style-type: none"> <li>➢ the intermediary for other Directors when necessary; and</li> <li>➢ the point of contact for shareholders and other stakeholders.</li> </ul> </li> </ul> <p>The Chairman's profile is available in the Profile of Directors in the Annual Report.</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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The positions of the Chairman and the Managing Director (“MD”) are held by two (2) individuals with distinct and separate functions.</li> <li>• Their roles are kept separate to ensure an optimal balance of power, increased accountability and greater capacity of the Board for independent decision-making. This ensures that no one individual has unfettered powers of decision making.</li> <li>• The Chairman, Mr. Heng Fu Joe, is primarily responsible for the conduct of the Board, effectiveness of its governance process and fostering constructive interactions with shareholders at the general meetings.</li> <li>• The MD makes strategic proposals to the Board, develops the Group’s businesses in accordance with strategies, policies, budgets and business plans as approved by the Board, oversees day-to-day operations and provides guidance and leadership to employees of the Company.</li> <li>• The separation of responsibilities is further reinforced as the Chairman is not someone who has previously served as the Chief Executive Officer/MD of the Company.</li> </ul> <p>Their profiles are accessible in the Profile of Directors in the Annual Report.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>• The Directors have access to the advice and services of suitably qualified and competent Company Secretaries to enable them to discharge their duties effectively.</li><li>• Both Company Secretaries are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 and are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators.</li><li>• The Company Secretaries assist the Chairman in managing the Board's administrative activities i.e. meetings, schedules, agendas, communication and documentation.</li><li>• The Company Secretaries attend all Board meetings and assist the Chairman and Directors in the conduct of meetings and in the discharge of their governance obligations.</li><li>• The Company Secretaries ensure that all necessary information is obtained from Directors e.g. in relation to related party transactions, conflict of interest situations and dealings in the Company's shares, both for the Company's records and for the purposes of meeting statutory/regulatory requirements.</li><li>• The Company Secretaries ensure that the Board members are kept updated on all relevant corporate laws/regulations, assist and facilitate in Directors' training and maintain a record of all trainings attended by the Board members.</li><li>• In order to play an effective advisory role to the Board, the Company Secretaries always keep abreast with the changes in corporate laws, regulatory requirements and corporate governance, through continuous training. The Company Secretaries had attended trainings to keep themselves abreast with the latest changes in laws/regulations and corporate governance matters.</li><li>• The roles and responsibilities of the Company Secretaries are specified in the Board Charter, accessible at <a href="http://daibochi.com/corporate-governance/">http://daibochi.com/corporate-governance/</a>.</li><li>• The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board during the financial year ended 31 July 2020.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• Directors have access to all information pertaining to the Group and may seek clarification from Management, if required. The Board also receives briefings from Management pertaining to the operational issues and financial performance of the Group as and when necessary.</li> <li>• Notices of meetings and meeting papers are sent a week ahead of the scheduled meetings enabling the Directors to seek clarification and to peruse the issues to be deliberated at the Board and Board Committees' meetings. Any additional information requested by Directors will be made available prior to the meetings. External advisors may be invited to attend Board meetings to advise and/or furnish the Directors with professional insight, information and clarification needed on relevant matters. Briefings are also provided by the Company Secretaries and Management on all material announcements prior to approval and release to Bursa Malaysia Securities Berhad.</li> <li>• All proceedings/minutes of the meetings are prepared and circulated in a timely manner for the members' perusal to reflect the decision making process of the Board appropriately. The minutes are then confirmed at the following meetings and are signed by the respective Chairpersons.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.  
There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>• The Board Charter sets out the Board's strategic intent and serves as a source of reference to facilitate the effective discharge of the Board's duties.</li><li>• The roles and responsibilities of the Board (including key matters reserved for the Board), Board Committees, Chairman, individual Directors, Managing Director, Executive Directors, Independent Non-Executive Directors ("INED"), Management and the Company Secretaries are outlined in the Board Charter.</li><li>• Key matters reserved for the Board's review/approval include:<ul style="list-style-type: none"><li>➢ <i>Strategy and management</i>: The Board is responsible for the overall strategic direction of the Group, long-term objectives and goals, budget, overseeing the business and potential expansion into new business ventures.</li><li>➢ <i>Structure and capital</i>: Changes relating to the Group's capital structure, issuance of shares and share buybacks, corporate structure and listing status are subject to the Board's approval.</li><li>➢ <i>Finance</i>: The Group's financial statements, quarterly reports, Dividend Policy, significant changes in accounting policies/practices and acquisition and disposal of assets exceeding RM1 million in value require the Board's approval.</li><li>➢ <i>Internal controls</i>: To ensure that the Group has sound risk management and internal control systems in place.</li><li>➢ <i>Board membership and other appointments</i>: Changes to the size and composition of the Board, succession planning for the Board and Senior Management, appointment and removal of the Company Secretaries, appointment, reappointment and removal of the external auditors, appointment and removal of the internal auditors and remuneration policy for Directors and Senior Management are within the Board's purview.</li></ul></li><li>• The Board Charter emphasises that continuous training is essential to enable Directors to discharge their duties effectively. All the Directors attended trainings during the financial year ended 31 July 2020 and the list of programs attended is set out in the Corporate Governance Overview Statement in the Annual Report.</li><li>• Procedures are also in place in the Board Charter for the Board/individual Director to seek independent professional advice at the Company's expense, if necessary. The Board or the individual Director shall inform the Company Secretaries prior to engaging an independent professional adviser and the engagement shall be subject to the Chairman or INEDs' approval, depending on the</li></ul>

	<p>quantum of fees involved. The independent professional advice shall be circulated to all Board members as soon as it is available.</p> <ul style="list-style-type: none"> <li>The Board Charter is reviewed to ensure its relevance in assisting the Board to discharge its duties in line with the changes in corporate laws and requirements and to remain consistent with the Board's responsibilities and objectives. The Board Charter is accessible at <a href="http://daibochi.com/corporate-governance/">http://daibochi.com/corporate-governance/</a>.</li> </ul>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**Intended Outcome**

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

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

**Practice 3.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Company's Code of Conduct and Ethics governs the standards of ethics and good conduct expected from Directors and employees respectively, premised on the principles of honesty and integrity. The code is available in the Company's Employee Handbook which is provided to employees to ensure awareness and adherence to Daibochi's values and principles.</li> <li>• The Code of Ethics for Directors ensures that Board members act in accordance with the principles of sincerity, integrity, accountability and social responsibility.</li> <li>• The Board reviews the codes, as and when deemed necessary; to ensure that they remain consistent with the Company's commitment to establish a corporate culture with ethical values that permeates throughout the Company.</li> <li>• During the financial year ended 31 July 2020, the Group adopted an Anti-Corruption and Anti-Bribery Policy in line with the Board's commitment to promote ethical business conduct.</li> <li>• The codes and policy are accessible at <a href="http://daibochi.com/corporate-governance/">http://daibochi.com/corporate-governance/</a>.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Board, together with Management has established a Whistle-blowing Policy to provide an avenue for employees and stakeholders to report in good faith, genuine concerns about unethical behaviour and improper conduct within the Company, without fear of reprisal.</li> <li>• The Whistleblowing Policy is available at <a href="http://daibochi.com/corporate-governance/">http://daibochi.com/corporate-governance/</a>.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The current Board comprises six (6) Directors, three (3) of whom are Independent Non-Executive Directors (“INEDs”), constituting half of the Board.</li> <li>• The INEDs bring strong independent judgement, knowledge, skills and experience to Board deliberations during the decision making process.</li> <li>• The Board has considered the Nomination Committee’s (“NC”) assessment for the financial year ended 31 July 2020 and is satisfied with the independence of the INEDs as they: <ul style="list-style-type: none"> <li>➢ fulfil the criteria of independence, as defined in Bursa Malaysia Securities Berhad’s Main Market Listing Requirements; and</li> <li>➢ provide impartial and objective views and independent advice to ensure proper check and balance at the Board and Board Committees’ meetings.</li> </ul> </li> <li>• The INEDs have also provided their annual confirmation of independence to the NC.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b> :	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
<b>Explanation on application of the practice</b> :	<ul style="list-style-type: none"> <li>• Mr. Heng Fu Joe's tenure as an Independent Director had exceeded nine (9) years on 1 August 2019 as he was appointed as an Independent Non-Executive Director ("INED") on 2 August 2010. In compliance with this Practice, the Nomination Committee ("NC") assessed the independence of Mr. Heng Fu Joe and recommended him to be retained and to continue to act as an Independent Director of the Company based on the following justifications: <ul style="list-style-type: none"> <li>(a) he fulfills the criteria of Independent Director as defined in Bursa Malaysia Securities Berhad's Main Market Listing Requirements;</li> <li>(b) he continues to exercise sound independent judgement and demonstrates objectivity in the discharge of his fiduciary duties for effective check and balance at the Board and Board Committees' ("BCs") meetings;</li> <li>(c) his extensive accounting and finance experience and understanding of the Group's business enables him to participate actively and contribute valuable insights at the Board and the BCs' meetings;</li> <li>(d) he maintains a professional relationship with Board members and is independent from Management; and</li> <li>(e) he does not have any business/other relationship which may interfere with his independent judgement or the ability to act in the best interest of the Company.</li> </ul> </li> <li>• Having considered the NC's evaluation, the Board is of the view that Mr. Heng Fu Joe's understanding of the business, integrity, proven commitment and competence will continue to add value to the Group. Accordingly, the Board will be seeking shareholders' approval at the forthcoming Annual General Meeting ("AGM") to retain Mr. Heng Fu Joe as an INED of the Company. Mr. Heng Fu Joe had abstained from all deliberations and decisions in relation to his retention as an INED of the Company and will continue to do so at the AGM.</li> </ul>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Board is cognisant that a diversified Board and Senior Management, with an effective combination of skills, expertise, professional experience, nationality, gender, age and cultural background can offer different viewpoints, valuable insights, innovative solutions and ideas that are beneficial to the Group. The Board has a Boardroom Diversity Policy which outlines the Company's approach to achieving and preserving diversity on the Board and in respect of Senior Management positions.</li> <li>• The Nomination Committee ("NC") is responsible for making recommendations to the Board for the appointment of new directors. All appointments are based on merit, with due consideration given to age, gender, nationality and ethnicity to augment diversity in the Boardroom.</li> <li>• During financial year ended 31 July 2020, the NC assessed Mr. Chang Chee Siong's suitability to be appointed as the Managing Director of the Company before recommending his appointment to the Board for approval.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Board acknowledges that women with the right competencies and skills can equally contribute to diversity of perspectives in the Boardroom and Senior Management. In this regard, there is a female Independent Non-Executive Director on the Board, Ms. Caroline Ang and one (1) female senior manager in the Company's Senior Management team.</li> <li>• The Board is of the opinion that diversity should be considered more broadly and whilst it is important to promote gender diversity, the selection criteria based on an effective blend of competencies, experience and skills should remain a priority. The Board is committed to take the necessary measures towards promoting gender diversity and appointing the best qualified person based on merit when changes in the Boardroom are contemplated in the future. The Board's target is to have at least one (1) female Director on the Board as reflected in the Boardroom Diversity Policy.</li> </ul>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Nomination Committee (“NC”) adheres to a formal and transparent procedure for the nomination and appointment of new Directors. Prospective candidates are identified from a number of sources, including the Directors’, shareholders or Management’s recommendations. The NC is also open to utilise independent sources to identify suitably qualified candidates as stated in its Terms of Reference, accessible at <a href="http://daibochi.com/corporate-governance/">http://daibochi.com/corporate-governance/</a>.</li> <li>• The NC seeks suitable candidates from diverse professional and business backgrounds who have the character, qualifications, experience, integrity, competence and time to effectively discharge his/her role as a Director. In the case of an Independent Director, the independence of the candidate will be taken into account.</li> <li>• The Board believes that its transparent procedure on the appointment of Directors with diverse professional backgrounds appointed to the Board is conducive for effective decision making.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>The Nomination Committee (“NC”) is chaired by the Senior Independent Non-Executive Director (“INED”) and its composition is as follows:               <ol style="list-style-type: none"> <li>Mr. Heng Fu Joe (Chairman, INED)</li> <li>Ms. Caroline Ang Choo Bee (INED)</li> <li>Mr. Faris Salim Cassim (INED)</li> </ol> </li> </ul> <p>The NC’s authority and duties are governed by its Terms of Reference.</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 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.

<p><b>Application</b></p>	<p>: Applied</p>
<p><b>Explanation on application of the practice</b></p>	<ul style="list-style-type: none"> <li>• The Board has implemented an annual assessment process for the Nomination Committee (“NC”) to carry out the required assessments of the Board, Board Committees (“BCs”), Directors and members of the BCs.</li> <li>• The NC’s assessment process involves having the Directors complete questionnaires, which will then be collated by the Company Secretaries and forwarded to the NC members for their evaluation and sharing with the Board members.</li> <li>• The elements of the questionnaires for assessing the Board’s effectiveness encompass a variety of matters. These include the Board’s mix and composition, quality of information and decision making, Boardroom activities and the Board’s relationship with Management.</li> <li>• The assessment of the effectiveness of the BCs includes its composition, assistance provided to the Board for better decision making, whether the members have sufficient and relevant expertise in discharging their responsibilities, their attendance at meetings of the BCs and whether communications to the Board are of sufficient quality and provided on a timely basis.</li> <li>• The assessment of Directors is based on their attendance at the Board/BCs’ meetings, contribution/participation in meetings, industry and business knowledge, expertise and time commitment.</li> </ul> <p>Having considered the annual assessment undertaken by the NC for the financial year ended 31 July 2020, the Board confirmed as follows:</p> <p><u>Board and Directors</u></p> <ul style="list-style-type: none"> <li>➤ The Board’s composition, with an appropriate mix of Independent Non-Executive Directors (“INEDs”) and Executive Directors (“EDs”) is adequate for the effective discharge of its functions and responsibilities. The combination of diverse personalities, skills, expertise and core competencies provides a range of perspectives and is conducive for quality decision making.</li> <li>➤ The three (3) INEDs augment the Board’s independence and bring objective perspectives/judgement, whilst the EDs provide strong operational and financial insights into the business, allowing well considered decisions to be made.</li> <li>➤ The Directors provided valuable contributions at Board and BCs’ meetings, devoted sufficient time in matters pertaining to the Company and carried out their duties professionally.</li> </ul>

	<p><u>Board Committees</u></p> <ul style="list-style-type: none"> <li>➤ The BCs are operating efficiently and effectively in assisting the Board and the members have sufficient knowledge, skills and expertise in fulfilling their roles and responsibilities.</li> </ul> <p><u>Re-election of Directors</u></p> <ul style="list-style-type: none"> <li>➤ In accordance with Regulation 81 of the Company's Constitution, one-third (1/3) of the Directors, or the number nearest to but not less than one-third (1/3) are to retire by rotation at every AGM. Regulation 87 of the Company's Constitution states that all newly appointed Directors are subject to re-election by the shareholders at the forthcoming Annual General Meeting ("AGM") after their appointment.</li> <li>➤ Mr. Heng Fu Joe and Mr. Low Geoff Jin Wei are due for re-election pursuant to Regulation 81 and Mr. Chang Chee Siong in accordance with Regulation 87 of the Company's Constitution at the Forty-Seventh AGM of the Company ("47<sup>th</sup> AGM"). The Board concurs with the NC's evaluation that the Directors have allocated sufficient time and attention to the affairs of the Company and have carried out their fiduciary duties professionally. As the Chairman and INED, Mr. Heng Fu Joe, has demonstrated strong leadership skills, independent judgement to Board deliberations and decision making to provide check and balance and foster objectivity in the Boardroom. Mr. Low Geoff Jin Wei and Mr. Chang Chee Siong, the ED and Managing Director, have met the Board's expectations and exemplified commitment as reflected by their professional conduct and sharing of valuable information and viewpoints to the Board and Management.</li> <li>➤ Hence, the Board unanimously recommends shareholders to vote in favour of the re-election of the above Directors at the 47<sup>th</sup> AGM. The Directors had abstained from all deliberations and decisions in relation to their own eligibility to stand for re-election and will continue to do so at the 47<sup>th</sup> AGM.</li> </ul> <p>The information of the Directors who are subject to re-election is set out in the Profile of Directors in the Annual Report.</p> <p><u>Independence of the INEDs</u></p> <ul style="list-style-type: none"> <li>➤ The INEDs comply with the independence requirement set out in Bursa Malaysia Securities Berhad's Main Market Listing Requirements and continue to provide objective and independent advice to ensure proper check and balance at the Board and BCs' meetings.</li> </ul> <p><u>Retention of INED beyond 9 years</u></p> <ul style="list-style-type: none"> <li>➤ Please refer to Practice 4.2 herein for the detailed disclosure on the assessment undertaken by the NC.</li> </ul>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

**Intended Outcome**

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

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

**Practice 6.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Board has in place policies/procedures to determine the remuneration of Directors and Senior Management and these are reflected in the Remuneration Committee's ("RC") Terms of Reference accessible at <a href="http://daibochi.com/corporate-governance/">http://daibochi.com/corporate-governance/</a>.</li> <li>• The RC reviews and recommends the remuneration of the Directors and Senior Management to the Board and may seek external advice, as and when deemed necessary. The Director concerned will abstain from deliberations and voting on the decisions regarding his/her individual remuneration.</li> <li>• The remuneration is aligned with the business strategy and long-term objectives and reflects the Board's responsibilities, expertise and complexity of the Group's business activities.</li> <li>• The Executive Directors do not receive Directors' fees from the Company and their compensation comprises salaries, other emoluments, bonuses and benefits-in-kind. Independent Non-Executive Directors receive meeting allowances, monthly allowances, yearly Audit Committee allowance (benefits) and Directors' fees.</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**

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

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

**Practice 6.2**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Remuneration Committee ("RC") is chaired by the Senior Independent Non-Executive Director ("INED") and its composition is as follows:               <ol style="list-style-type: none"> <li>1. Mr. Heng Fu Joe (Chairman, INED)</li> <li>2. Ms. Caroline Ang Choo Bee (INED)</li> <li>3. Mr. Faris Salim Cassim (INED)</li> </ol> </li> <li>• The RC is responsible for setting the framework and making recommendations to the Board on matters concerning the general remuneration policy of Directors and Senior Management. The RC's Terms of Reference which deals with its authority and duties is accessible at <a href="http://daibochoi.com/corporate-governance/">http://daibochoi.com/corporate-governance/</a>.</li> <li>• During the financial year ended 31 July 2020, the Board had approved the remuneration of the Executive Directors at the recommendation of the RC.</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**

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

**Practice 7.1**

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

<b>Application</b> :	Applied						
<b>Explanation on application of the practice</b> :	The remuneration of Directors paid and payable by the Company and the Group for the financial year ended 31 July 2020, on a named basis is as follows:						
	<u>Fees*</u> RM'000	<u>Salaries</u> RM'000	<u>Bonus</u> RM'000	<u>EPF Contribution by Employer</u> RM'000	<u>Other Emoluments</u> RM'000	<u>Total</u> RM'000	
	<b>Executive Directors</b>						
	Mr. Chang Chee Siong (appointed on 13 December 2019)	-	299	209	97	19	624
	Mr. Low Geoff Jin Wei	-	283	167	85	13	548
	Mr. Heong Mun Foo	-	60	35	12	1	108
	Mr. Lim Soo Koon (retired on 13 December 2019)	-	150	-	29	191	370
	<b>Non-Executive Directors</b>						
	Mr. Heng Fu Joe	42	-	-	-	89	131
	Ms. Caroline Ang Choo Bee	13	-	-	-	44	57
	Mr. Faris Salim Cassim	13	-	-	-	45	58
	<i>*Subject to the approval by shareholders at the Forty-Seventh Annual General Meeting.</i>						
<b>Explanation for departure</b> :							
	<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>						
<b>Measure</b> :							
<b>Timeframe</b> :							

## Intended Outcome

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

## Practice 7.2

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

<b>Application</b>	:	Departure																								
<b>Explanation on application of the practice</b>	:																									
<b>Explanation for departure</b>	:	<ul style="list-style-type: none"> <li>The Board notes the disclosure requirement of the top five (5) Senior Management's remuneration on a named basis and in bands of RM50,000.00 for corporate transparency. The Board has considered the matter and maintains the view that such disclosure is not in the best interest of the Company/Group due to the highly confidential/sensitive nature of this information and concerns of key talent poaching in the specialised flexible packaging industry.</li> <li>In this regard, the Board has disclosed the Company's Senior Management's remuneration on a total basis in Note 26 of the financial statements in the Annual Report as follows and believes that it is adequate.</li> </ul> <p><u>Compensation of key management personnel</u></p> <p>The remuneration of key management personnel, excluding Directors of the Company during the financial year ended 31 July 2020 is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">The Group</th> <th colspan="2">The Company</th> </tr> <tr> <th>1.8.2019 to 31.7.2020 (12 months) RM'000</th> <th>1.1.2018 to 31.7.2019 (19 months) RM'000</th> <th>1.8.2019 to 31.7.2020 (12 months) RM'000</th> <th>1.1.2018 to 31.7.2019 (19 months) RM'000</th> </tr> </thead> <tbody> <tr> <td>Short-term employee benefits</td> <td>2,591</td> <td>3,951</td> <td>1,641</td> <td>3,951</td> </tr> <tr> <td>Defined contribution plans</td> <td>321</td> <td>1,316</td> <td>265</td> <td>1,316</td> </tr> <tr> <td></td> <td>2,912</td> <td>5,267</td> <td>1,906</td> <td>5,267</td> </tr> </tbody> </table> <p>The Board believes that the manner of disclosure above would enable stakeholders to assess whether the remuneration commensurate with the performance of the Senior Management, taking into account the Company's/Group's performance.</p>		The Group		The Company		1.8.2019 to 31.7.2020 (12 months) RM'000	1.1.2018 to 31.7.2019 (19 months) RM'000	1.8.2019 to 31.7.2020 (12 months) RM'000	1.1.2018 to 31.7.2019 (19 months) RM'000	Short-term employee benefits	2,591	3,951	1,641	3,951	Defined contribution plans	321	1,316	265	1,316		2,912	5,267	1,906	5,267
	The Group			The Company																						
	1.8.2019 to 31.7.2020 (12 months) RM'000	1.1.2018 to 31.7.2019 (19 months) RM'000	1.8.2019 to 31.7.2020 (12 months) RM'000	1.1.2018 to 31.7.2019 (19 months) RM'000																						
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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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.																								
<b>Timeframe</b>	:	Choose an item.																								

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The composition of the Audit Committee ("AC") is as follows:               <ol style="list-style-type: none"> <li>1. Ms. Caroline Ang Choo Bee, Chairperson, Independent Non-Executive Director ("INED")</li> <li>2. Mr. Heng Fu Joe (INED)</li> <li>3. Mr. Faris Salim Cassim (INED)</li> </ol> </li> <li>• The AC Chairperson, Ms. Caroline Ang Choo Bee is not the Chairperson of the Board, thus ensuring the overall effectiveness and independence of the AC.</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**

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>	:	<ul style="list-style-type: none"> <li>• The Audit Committee's ("AC") Policy on the Suitability, Objectivity and Independence of External Auditors ("AC's Policy on External Auditors") is intended to regulate the provision of services by the external auditors to ensure that the external auditors do not perform any service that may impair its independence.</li> <li>• In upholding audit independence, the AC's Policy on External Auditors has a provision that the former key audit partner shall observe a cooling-off period of at least two (2) years before being appointed as a member of the AC in accordance with this Practice.</li> <li>• None of the AC members have been former key audit partners of the Company/Group.</li> </ul>	
<b>Explanation for departure</b>	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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>	:	<ul style="list-style-type: none"> <li>• The AC's assessment of the external auditors is undertaken in accordance with Paragraph 15.21 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and the AC's Policy on the Suitability, Objectivity and Independence of External Auditors ("AC's Policy on External Auditors").</li> <li>• The AC's Policy on External Auditors includes the following:             <ul style="list-style-type: none"> <li>(a) monitoring the external auditor's independence, including any relationships with the Company and/or the Group or any other person or entity that may affect their independence;</li> <li>(b) ensuring that the provision of non-audit services will not adversely affect their professional integrity, objectivity and independence and in relation to the conduct of the audit; and</li> <li>(c) obtaining a written assurance from the external auditors that they are and have been independent throughout the audit engagement in accordance with the relevant professional and regulatory requirements.</li> </ul> </li> <li>• The AC assessed the performance and independence of the External Auditors prior to their re-appointment in accordance with the AC's Policy on External Auditors. The External Auditors confirmed that they had complied with the independence requirements prescribed in the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Code of Ethics for Professional Accountants. The External Auditors' non-audit service was in respect of the review of the Risk Management and Internal Control Statement and this service is not likely to affect the independence and objectivity of the External Auditors.</li> <li>• Being satisfied with the External Auditor's performance, timeliness, technical competency and independence with regard to the conduct of the audit, the AC recommended the re-appointment of Deloitte PLT as the Company's External Auditors for the financial year ending 31 July 2021.</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**

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 three (3) members, all of whom are Independent Non-Executive Directors who satisfy the "independence" requirements set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

**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>	<ul style="list-style-type: none"> <li>• All the Audit Committee (“AC”) members are financially literate and are able to understand matters within the purview of the AC, including the financial reporting process. Collectively, the AC members possess extensive experience and professional skills in relation to accounting, auditing, tax, finance, legal and corporate finance matters.</li> <li>• The AC members attended trainings during the financial year ended 31 July 2020 (“FY 2020”) to keep themselves abreast of relevant developments. The programs attended by the AC members are set out below:</li> </ul> <table border="1" data-bbox="597 1041 1378 1904"> <thead> <tr> <th data-bbox="597 1041 721 1073">Director</th> <th data-bbox="721 1041 1378 1073">Programmes attended during FY 2020</th> </tr> </thead> <tbody> <tr> <td data-bbox="597 1073 721 1904">Mr. Heng Fu Joe</td> <td data-bbox="721 1073 1378 1904"> <ul style="list-style-type: none"> <li>➢ “MFRS 16 Leases”</li> <li>➢ “CPA Congress 2019”</li> <li>➢ “Townhall 2019”</li> <li>➢ “CAANZ-MICPA Audit Forum 2019: Future of Audit”</li> <li>➢ “World Conference ” One Vision One Direction”, Singapore (Audit)”</li> <li>➢ “World Conference ” One Vision One Direction”, Singapore (Plenary)”</li> <li>➢ “ICDM Post-Budget Breakfast Talk”</li> <li>➢ “ISQM: Another Tsunami of Changes for Auditors?”</li> <li>➢ “The Role of the Board in Strategy &amp; Risk Management Oversight”</li> <li>➢ “Rethinking Auditing with Blockchain Technology”</li> <li>➢ “Baker Tilly Network Conference 2020”</li> <li>➢ “Annual Managers (Audit Townhall)”</li> <li>➢ “Leadership Webinar Series: Self Development: Managing Emotional Intelligence”</li> <li>➢ “Leadership Webinar Series: Future Ready: Aligning the Organisation Culture”</li> <li>➢ “Leadership Webinar Series: Digital Communication: Communicating with Different Generations and Different Cultures (Part 1)”</li> <li>➢ “Leadership Webinar Series: Future Ready: Action Plan for Triumphant in The VUCA World”</li> <li>➢ “Leadership Webinar Series: Future Ready: Integrating Technology into Your Business”</li> <li>➢ “Leadership Webinar Series: Self Development: Technique for Resilience and Perspective-Taking”</li> <li>➢ “How to Think Like a Futurist: 3 Ways to Prepare for the New Normal Confirmation”</li> </ul> </td> </tr> </tbody> </table>	Director	Programmes attended during FY 2020	Mr. Heng Fu Joe	<ul style="list-style-type: none"> <li>➢ “MFRS 16 Leases”</li> <li>➢ “CPA Congress 2019”</li> <li>➢ “Townhall 2019”</li> <li>➢ “CAANZ-MICPA Audit Forum 2019: Future of Audit”</li> <li>➢ “World Conference ” One Vision One Direction”, Singapore (Audit)”</li> <li>➢ “World Conference ” One Vision One Direction”, Singapore (Plenary)”</li> <li>➢ “ICDM Post-Budget Breakfast Talk”</li> <li>➢ “ISQM: Another Tsunami of Changes for Auditors?”</li> <li>➢ “The Role of the Board in Strategy &amp; Risk Management Oversight”</li> <li>➢ “Rethinking Auditing with Blockchain Technology”</li> <li>➢ “Baker Tilly Network Conference 2020”</li> <li>➢ “Annual Managers (Audit Townhall)”</li> <li>➢ “Leadership Webinar Series: Self Development: Managing Emotional Intelligence”</li> <li>➢ “Leadership Webinar Series: Future Ready: Aligning the Organisation Culture”</li> <li>➢ “Leadership Webinar Series: Digital Communication: Communicating with Different Generations and Different Cultures (Part 1)”</li> <li>➢ “Leadership Webinar Series: Future Ready: Action Plan for Triumphant in The VUCA World”</li> <li>➢ “Leadership Webinar Series: Future Ready: Integrating Technology into Your Business”</li> <li>➢ “Leadership Webinar Series: Self Development: Technique for Resilience and Perspective-Taking”</li> <li>➢ “How to Think Like a Futurist: 3 Ways to Prepare for the New Normal Confirmation”</li> </ul>
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Mr. Heng Fu Joe	<ul style="list-style-type: none"> <li>➢ “MFRS 16 Leases”</li> <li>➢ “CPA Congress 2019”</li> <li>➢ “Townhall 2019”</li> <li>➢ “CAANZ-MICPA Audit Forum 2019: Future of Audit”</li> <li>➢ “World Conference ” One Vision One Direction”, Singapore (Audit)”</li> <li>➢ “World Conference ” One Vision One Direction”, Singapore (Plenary)”</li> <li>➢ “ICDM Post-Budget Breakfast Talk”</li> <li>➢ “ISQM: Another Tsunami of Changes for Auditors?”</li> <li>➢ “The Role of the Board in Strategy &amp; Risk Management Oversight”</li> <li>➢ “Rethinking Auditing with Blockchain Technology”</li> <li>➢ “Baker Tilly Network Conference 2020”</li> <li>➢ “Annual Managers (Audit Townhall)”</li> <li>➢ “Leadership Webinar Series: Self Development: Managing Emotional Intelligence”</li> <li>➢ “Leadership Webinar Series: Future Ready: Aligning the Organisation Culture”</li> <li>➢ “Leadership Webinar Series: Digital Communication: Communicating with Different Generations and Different Cultures (Part 1)”</li> <li>➢ “Leadership Webinar Series: Future Ready: Action Plan for Triumphant in The VUCA World”</li> <li>➢ “Leadership Webinar Series: Future Ready: Integrating Technology into Your Business”</li> <li>➢ “Leadership Webinar Series: Self Development: Technique for Resilience and Perspective-Taking”</li> <li>➢ “How to Think Like a Futurist: 3 Ways to Prepare for the New Normal Confirmation”</li> </ul>				

		<ul style="list-style-type: none"> <li>➤ “The New Normal: Expected Trends in Tax, Economic and Corporate Transactions Confirmation”</li> <li>➤ “Surviving COVID-19: Being Kind in A Challenging Situation”</li> <li>➤ “The #New Normal Amid COVID-19: Leverage on Regional Experiences”</li> <li>➤ “How to Build Your Team's Learning Mind-set Amid Uncertainty”</li> <li>➤ “COVID-19 The #New Normal: Corporate Rescue Mechanisms in Times of Crisis”</li> <li>➤ “E-Bank Confirmation”</li> <li>➤ “Global Economic Recovery from COVID-19 Pandemic”</li> <li>➤ “How COVID-19 will Change the Future of Work in Southeast Asia”</li> <li>➤ “Mind the Gap! - Audit Your Anti-Bribery &amp; Corruption Programme Effectively”</li> <li>➤ “Delivering Work While at Home: Lessons from Silicon Valley”</li> <li>➤ “Data Valuation &amp; Governance”</li> <li>➤ “SMEs: The Mind-set to Adopt During A Crisis”</li> <li>➤ “Digital Transformation for SMEs In A Time of Crisis”</li> <li>➤ “Inventories AWP” (e-learning)”</li> <li>➤ “Virtual Audit Forum”</li> <li>➤ “Impairment (Overview of Standards &amp; Cash Flows Review) AWP (e-learning)”</li> <li>➤ “MFRS 15 - Property Developer AWP (e-learning)”</li> <li>➤ “Updates on MIA By Laws - Partners' Rotation”</li> </ul>
	Ms. Caroline Ang Choo Bee	<ul style="list-style-type: none"> <li>➤ “Service Tax SST 2019”</li> <li>➤ “Amendments to Companies Act 2016 and What you Should Know About the Practising Certificate under Section 241”</li> <li>➤ “Face to Face with Innovators”</li> <li>➤ “MIA Webinar Series: Latest Implications of Digital Tax in Malaysia”</li> <li>➤ “Case Study Workshop for Independent Directors”</li> </ul>
	Mr. Faris Salim Cassim	<ul style="list-style-type: none"> <li>➤ “Force Majeure &amp; COVID-19: How Are Contractual Relationships Affected and Managed”</li> </ul>
	<ul style="list-style-type: none"> <li>• Moving forward, the AC members will continue to review their training needs to further enhance their skills and knowledge in accounting and auditing standards, practices and rules to enable them to discharge their duties effectively.</li> </ul>	
<b>Explanation for departure</b>		
	<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure</b>		
<b>Timeframe</b>		

### Intended Outcome

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>	:	<ul style="list-style-type: none"><li>• The Board acknowledges its overall responsibility for the Group's risk management and internal control systems, including reviewing its adequacy and effectiveness in line with its business objectives.</li><li>• The Board has established sound risk management and internal control systems, including an ongoing process to identify, evaluate, mitigate/manage and monitor the significant risks faced by the Group in the achievement of its objectives and strategies.</li><li>• The systems and ongoing processes have been in place for the financial year ended 31 July 2020 and up to the date of approval of the Group's Risk Management and Internal Control Statement for inclusion in the Annual Report.</li><li>• The Board is assisted by the Risk Management Committee and Audit Committee in reviewing the effectiveness of the risk management and internal control systems.</li><li>• Management is responsible for implementing the processes of identifying, evaluating, monitoring and reporting of risks and internal controls, taking appropriate and timely corrective actions as needed to mitigate and control the risks. Management also provides assurance to the Board that these processes have been carried out accordingly.</li></ul> <p>Specific disclosures on the Group's risk management and internal control systems are set out in the Risk Management and Internal Control Statement in the Annual Report.</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> :	<ul style="list-style-type: none"><li>• The Group has a structured process within its risk management to identify, evaluate, mitigate and monitor risks. Key operational risks faced by the Group's business are managed systematically to ensure prudent risk management.  The Risk Management Committee ("RMC") supports the Board with risk governance and assists to identify, assess, manage and monitor key business risks to safeguard shareholders' investments and assets of the Group. The RMC is assisted by the Management to establish and implement an effective risk management framework, policy and processes across the Group as well as to oversee the risk management aspect of the Group so as to identify, analyse, respond, monitor and report any significant risk to the RMC. The respective risk owners are responsible for setting up risk registers in accordance with the enterprise risk management framework and reporting identified risks to the RMC.</li><li>• Management personnel from Operations, Sales and Marketing, Finance and other departments may be invited to attend RMC meetings, where necessary, to brief the RMC on the potential risks and actions that may be taken to mitigate and control these risks.</li><li>• During the financial year ended 31 July 2020 ("FY 2020"), the RMC reviewed the sales and marketing risk register and assessed the associated risks. In addition, Management updated the Board on the enforcement of the coronavirus disease 2019 (COVID-19) Pandemic Business Continuity Plan to mitigate and minimise the impact of risks associated with the pandemic on our business and operations.</li><li>• The internal audit function provides independent, objective assurance and advisory services that add value and improve operations by:<ul style="list-style-type: none"><li>➢ evaluating and improving the adequacy and effectiveness of internal control systems established by Management; and</li><li>➢ providing internal audit recommendations for the improvement of the internal controls, policies and procedures.</li></ul></li></ul> <p>During FY 2020, the Board, through the RMC and Audit Committee reviewed the adequacy and effectiveness of the risk management and internal control systems and is pleased to report that to the best of its knowledge all internal control weaknesses identified and highlighted to the AC have been and/or are being addressed.</p> <p>Specific disclosures on the Group's risk management and internal control systems are set out in the Risk Management and Internal Control Statement in the Annual Report.</p>
<b>Explanation for departure</b> :	

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

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

**Intended Outcome**

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>	:	<ul style="list-style-type: none"><li>• The Risk Management Committee ("RMC") was formed in year 2015 to support the Board with risk governance and assists to identify, assess, manage and monitor key business risks to safeguard shareholders' investments and assets of the Group.</li><li>• The RMC comprises all the members of the Board, three (3) of whom are Independent Non-Executive Directors ("INED"), constituting half of the Board. The RMC is chaired by Mr. Heng Fu Joe, the Senior INED.</li></ul> <p>The RMC's authority and duties are governed by its Terms of Reference, accessible at <a href="http://daibochi.com/corporate-governance/">http://daibochi.com/corporate-governance/</a>.</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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The internal audit function is carried out by an independent professional service firm in accordance with the Internal Auditors' International Professional Practice Framework issued by the Institute of Internal Auditors.</li> <li>• The objectives of the internal audit are to independently assess the system of internal controls established by Management and make appropriate recommendations for improvement or enhancements in relation thereto.</li> <li>• The internal auditors report to the Audit Committee ("AC") and provide independent views on the adequacy, integrity and effectiveness of the system of internal controls after its reviews.</li> <li>• Having considered the AC's assessment, the Board is satisfied that the internal auditors have the required resources, relevant expertise and professionalism to discharge its duties effectively.</li> </ul> <p>Further details of the internal audit function are disclosed in the AC report in the Annual Report.</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>	:	<ul style="list-style-type: none"> <li>• The internal audit function has been outsourced to an independent professional service firm and the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</li> <li>• The number of staff deployed for the internal audit reviews during the financial year ended 31 July 2020 (“FY 2020”) was five (5) personnel, including the engagement Executive Director.</li> <li>• The person responsible for internal audit during FY 2020 is the engagement Executive Director, Mr. Mah Siew Hoong. He has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a fellow member of the Association of Chartered Certified Accountants. He is a Certified Internal Auditor (United States) and has a Certification in Risk Management Assurance (United States).</li> <li>• The internal audit function is carried out using a risk-based approach and is guided by the Internal Auditors’ International Professional Practices Framework.</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**

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>	:	<ul style="list-style-type: none"> <li>• The Board advocates high standards of corporate transparency and disclosures and values its dialogues with shareholders, investors and other stakeholders. Our Corporate Disclosure Policy guides the Board, Management and employees to ensure accurate, consistent, high quality and fair disclosure of corporate information on a regular and timely basis.</li> <li>• To ensure accessibility of information, an investor relations (“IR”) section is readily available on our website at <a href="http://daibochi.com/#">http://daibochi.com/#</a> (Investors Relations) which includes our annual reports, circulars, corporate presentations, corporate and governance matters, press releases and other information considered being of interest to shareholders and investors. Stakeholders may direct their queries or concerns to the Company through <a href="http://daibochi.com/ir-contact/">http://daibochi.com/ir-contact/</a>.</li> <li>• The Board makes timely disclosure of material information to enable shareholders and investors to keep abreast of the Group’s performance, strategic and operational developments. The Company also maintains a continuous stream of active dialogues, discussions or briefings with the press, fund managers and analysts through a planned programme of IR activities.</li> <li>• General meetings also provide a forum for shareholders to engage with the Board members and seek information about matters pertaining to the Group.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is 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> :	<ul style="list-style-type: none"> <li>• The Company's Annual General Meeting ("AGM") was held on 13 December 2019 and the Notice convening the AGM was sent to shareholders on 14 November 2019 which is in compliance with this Practice, i.e. at least twenty-eight (28) days before the AGM.</li> <li>• The notice of the general meeting is announced to Bursa Malaysia Securities Berhad and accessible at <a href="https://www.bursamalaysia.com/">https://www.bursamalaysia.com/</a> as well as published in a local English newspaper ahead of the meeting.</li> <li>• Every matter requiring approval at a general meeting is proposed as a separate resolution in the Notice of AGM. The rationales for respective resolutions are set out in the Notice of AGM. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on.</li> <li>• Copies of the relevant AGM documents i.e. the Annual Report and statement/circular are provided to shareholders at least twenty-eight (28) days prior to the AGM. This enables the shareholders to have sufficient time to peruse the Annual Report and other documentation and appoint proxies to attend the general meeting if they so wish.</li> <li>• Collectively, the above measures enable shareholders to participate and engage with the Board as well as Senior Management effectively to make informed voting decisions at the AGM.</li> </ul>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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>	:	<ul style="list-style-type: none"> <li>• General Meetings remain the principal forum for dialogue with shareholders and it affords them the opportunity to raise questions and seek clarifications on the Group's operations, performance, strategies and latest developments.</li> <li>• The Chairman, Chairpersons of the respective Board Committees and members of the Board will be in attendance to address queries and concerns about the Group (if any).</li> </ul> <p>All the Directors were present to engage directly with the shareholders during the Extraordinary General Meeting ("EGM") held on 4 October 2019 and the Annual General Meeting ("AGM") held on 13 December 2019 respectively. The Company's Executive Director ("ED"), Mr. Low Geoff Jin Wei presented the details of the recurrent related party transactions at the EGM for the benefit of the shareholders. The external auditors were present to provide professional and independent clarification on the Group's financial statements at the AGM. Shareholders' queries were addressed by the EDs and their comments were noted by the Board and the Senior Management.</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>	:	<ul style="list-style-type: none"> <li>• The Company's general meetings are held in easily accessible hotels which are located in Melaka city centre to facilitate greater shareholder participation and not in remote locations.</li> <li>• Shareholder(s) who are unable to attend general meetings may send in proxy forms appointing proxy(ies) to attend, participate, speak and vote in his or her stead at the general meetings.</li> </ul>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

Not applicable
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