

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0072
COMPANY NAME : AT SYSTEMATIZATION BERHAD
FINANCIAL YEAR : March 31, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board of Directors ("the Board") of AT Systematization Berhad ("ATS") is collectively responsible in establishing the objectives, provides strategic direction to the Group in achieving its business plan and overseeing the conduct, performance and internal controls of the Group's business activities as well as reviewing of financial and operating performance of the Group. These include determining some of the key strategies, financial and organizational matters such as approval of interim results and annual audited financial statements, significant acquisition and disposal, major capital expenditures and long-term strategic planning for the Group.</p> <p>In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group's stakeholders and is ultimately responsible for the performance of the Group.</p> <p>To ensure the effective discharge of its function and duties, the principal responsibilities of the Board include the following specific areas:</p> <ul style="list-style-type: none">(i) Reviewing and adopting strategic plans for the Group;(ii) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;(iii) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;(iv) Succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;(v) Developing and implementing an investor relation programme or shareholder communication policy for the Company; and(vi) Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines. |

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| Explanation for departure | : | | |
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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> | | | |
| 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 1.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is led by Dato' Nik Ismail bin Dato' Nik Yusoff, an independent Chairman.</p> <p>The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board discussions. In fulfilling this role, he amongst others carries out the following:</p> <ul style="list-style-type: none">(i) ensuring that appropriate procedures are in place to govern the Board's operations;(ii) setting the agenda, style and tone of Board deliberations, facilitating effective review, analysis, discussions and contributions by each director with sufficient time allocated for discussion of complex and contentious issues, encouraging constructive debate so as to enable a sound decision making process;(iii) ensuring accurate and timely information, in particular about the performance of the Company, is furnished to Board members;(iv) leading efforts to address the Board's developmental needs; and(v) chairing of general meetings, and ensuring a smooth, open and constructive dialogue between the Board and the shareholders. |
| 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.

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|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The positions of Chairman and CEO are held by different individuals.</p> <p>The Chairman, Dato' Nik Ismail bin Dato' Nik Yusoff who was appointed to the Board on 24 April 2015 is an Independent Non-Executive Director. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board discussions.</p> <p>As at the financial year ended 31 March 2020, the Group has not appointed a CEO. The Executive Directors lead by Managing Director, Mr. Choong Lee Aun are responsible for the day-to-day management of the Group's businesses, which includes implementing the policies and decisions of the Board.</p> <p>The Chairman leads the Board in its collective oversight of Management and the Managing Director focuses on the business and day-to-day management of the Company.</p> <p>The separation of powers, combined with the presence of the Independent Directors, ensures a balance of power and authority and provided a safeguard against the exercise of unfettered power in 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is supported by professionally qualified and competent Company Secretaries, namely, Mr. Lim Kim Teck and Ms. Adeline Tang Kong Ling. Both are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.</p> <p>The Board is regularly apprised and advised by both Company Secretaries on statutory and regulatory requirements as well as pertinent governance matters. In discharging their role as counsels to the Board, the Company Secretaries also ensure timely supply of information and meeting materials, organising and facilitating the convening of board meetings, meetings of the board committees, general meetings, in consultation with the Chairman, recording of meeting minutes and resolutions of the Board and Board Committees. The Company Secretaries also serve as a focal point for stakeholders' communication and engagement on corporate governance issues.</p> <p>The Company Secretaries constantly keep themselves abreast of changes in the realm of corporate governance through continuous professional development. During the year under review, they attended pertinent internal and external trainings on changes in regulatory requirements.</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Notice of meetings setting out the agenda and accompanied by the relevant Board papers are distributed via email and/or other channels 1 week in advance, so as sufficient time given to the Directors to review, seek additional information and/or clarification on the matters to be deliberated at Board meetings. Regular Board meetings are held on a quarterly basis and ad hoc Board meetings will be held as and when required.</p> <p>Materials for Board meetings are securely protected by password and emailed directly to Directors for their review at their convenience.</p> <p>The minutes of meetings are prepared and circulated to all the Directors for review and approval.</p> <p>Fundamental questions raised and key points discussed during the meeting were recorded, including declaration of interest of the directors or any abstention on any resolution by the directors.</p> <p>The minutes would be confirmed by the Board at the next meeting and signed by the Chairman.</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>The responsibilities and functions reserved for the Board and those delegated to the Management were clearly defined in the Board Charter. It also provides a basis to the Board in assessing its own performance and that of its individual Directors.</p> <p>The Board Charter is available under the Corporate Governance segment of the Company's website at www.atsys.com.my.</p> <p>The Board will periodically review the Board Charter and make any changes whenever necessary.</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.

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|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has established and published its Code of Conducts, Whistleblowing Policy, Anti-Bribery and Anti-Corruption Policy which can be accessed under the Corporate Governance segment of the Company's website at www.atsys.com.my.</p> <p>The Board communicate the Code of Conducts, Whistleblowing Policy, Anti-Bribery and Anti-Corruption Policy to employees through the human resource department so that all staff members are clear on what is considered acceptable behaviour and practice in the Companies and the policies and procedures on whistleblowing.</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's Whistleblowing Policy provides an avenue to voice genuine concerns of any suspected wrongdoings, business misconduct and malpractices impacting the interest of the Group.</p> <p>The human resource department provides internal circulations on Code of Conducts, Whistleblowing Policy, Anti-Bribery and Anti-Corruption Polic, together with any updates thereon.</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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>Our Board has three (3) Independent Non-Executive Directors out of five (5) Directors, representing 60% of the total Board members.</p> <p>The five (5) Board members comprise of one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors and two (2) Executive 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.

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| Application | : | Not applicable - No independent director(s) serving beyond 9 years | |
| Explanation on application of the practice | : | None of the Independent Directors has exceeded the tenure of a cumulative term of nine (9) years in the Company as at 31 March 2020. The Board noted the recommendation of the MCCG 2017 that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Nevertheless, upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the annual approval of shareholders to continue as an Independent Director or be re-designated as a Non-Independent 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

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

Practice 4.3 - Step Up

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

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| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation. This includes the selection of Board members and Senior Management.</p> <p>The Board regularly reviews its composition with the aim to ensure that it achieves a diverse Board which is able to bring to bear a breadth of perspectives. In sourcing for suitable candidates, the Company takes into account the benefits of having different facets of diversity including gender, age, ethnicity, nationality, professional background, skills and experience.</p> <p>The Board is currently made up of members with a mix of skill sets, knowledge and experience (e.g. manufacturing solutions, accounting, finance, marketing, and business management), cultural background and age.</p> <p>The appointment of Senior Management is also based on predetermined criteria of skill sets and leadership qualities, driven by their respective job descriptions. The Group has also put in human resource programmes which seeks to address the need for capable individuals at the Senior Management level, taking into account the different dimensions of diversity.</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 4.5

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

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>The Board has not adopted any formal boardroom diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the Group. The Board opined that given the current state of the Group's business and lifecycle, it is more important to have the right mix of skills on the Board rather than to attaining the 30% threshold.</p> <p>The Group evaluate the suitability of candidates as new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors of the Company in the future.</p> <p>Currently, the composition of the Board does not include any female director but shall appoint additional women director as and when suitable candidates are available.</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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | At present, appointments to the Board are decided by the members of the Board based on the recommendations of the Nominating Committee. Directors' network and referrals from incumbent Directors and business associates are the primary means to source for Directors as they represent a tried and tested method of sourcing high-calibre directors with a sound understanding of the business imperatives. | |
| | : | The Directors appointment process is carried out based on methodical and robust process undertaken by the Nominating Committee. Candidates are assessed based on their competence, integrity, character, time commitment and experience. | |
| <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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Nominating Committee (“NC”) is chaired by Dr. Ch’ng Huck Khoon, an Independent Non-Executive Director.</p> <p>The Chairman of the NC is responsible to lead the NC to carry out annual review of effectiveness of the Board as a whole, and the Board Committees, as well as the contribution and performance of each individual 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

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

Practice 5.1

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

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | Facilitated by the Nominating Committee and the Company Secretary, the Board conducted an annual evaluation to determine the effectiveness of the Board, its Committees and each individual Director for the financial year ended 31 March 2020. The process is carried out via questionnaires administered to Directors, using a self and peer-rating model. Assessment criteria revolved around the mix and composition of the Board and Board Committees, quality of information and decision making and boardroom activities. The results of the assessment were utilised as the bases for the Board's development needs. | |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company has put in place remuneration policy and procedures which are premised on the need for the remuneration practices of the Company to be competitive, thereby enabling the Company to attract and retain high-calibre directors and senior management.</p> <p>The component remuneration package for Executive Directors and Senior Management has been structured to link rewards to corporate and individual performance while Non-Executive Directors' remuneration reflects the experience and level of responsibilities undertaken by individual Non-Executive Directors.</p> <p>The Directors' fees and benefits, which have been reviewed by the Remuneration Committee, are recommended by the Board to the shareholders for approval at the forthcoming AGM.</p> <p>The Remuneration Policy will be reviewed periodically and is made available under the Corporate Governance segment of the Company's website at www.atsys.com.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 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 Board is supported by the Remuneration Committee ("RC"). The members of the RC comprises exclusively of Independent Non-Executive Directors ("INEDs") and the composition of the RC is as follows:-</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Designation</th> <th>Directorate</th> </tr> </thead> <tbody> <tr> <td>Dr. Ch'ng Huck Khoon</td> <td>Chairman</td> <td>INED</td> </tr> <tr> <td>Dato' Nik Ismail bin Dato' Nik Yusoff</td> <td>Member</td> <td>INED</td> </tr> <tr> <td>Tan Lay Chee</td> <td>Member</td> <td>INED</td> </tr> </tbody> </table> <p>The Terms of Reference ("TOR") of RC is in line with this recommendation and the TOR is available under the Corporate Governance segment of the Company's website at www.atsys.com.my.</p> | | Name | Designation | Directorate | Dr. Ch'ng Huck Khoon | Chairman | INED | Dato' Nik Ismail bin Dato' Nik Yusoff | Member | INED | Tan Lay Chee | Member | INED |
| Name | Designation | Directorate | | | | | | | | | | | | | |
| Dr. Ch'ng Huck Khoon | Chairman | INED | | | | | | | | | | | | | |
| Dato' Nik Ismail bin Dato' Nik Yusoff | Member | INED | | | | | | | | | | | | | |
| Tan Lay Chee | Member | INED | | | | | | | | | | | | | |
| 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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the financial year ended 31 March 2020 are disclosed on Page 28 of the Annual Report 2020. | |
| Explanation for departure | : | | |
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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> | | | |
| 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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>The Group's Senior Management includes two (2) Executive Directors of the Company (of which their detailed remuneration has been disclosed on Page 28 of the Annual Report 2020).</p> <p>Whilst for the remaining Senior Management, their remuneration are not disclosed on a named basis in order to allay concerns on invasion of staff confidentiality and the Company's ability to retain talented Senior Management in view of the competitive employment environment.</p> <p>All Senior Management are remunerated based on their scope of duty and responsibilities, the Group's and individual performance and other criteria as guided by the Group's Remuneration Policy.</p> <p>As an alternative, total remuneration of the key management personnel is disclosed in Page 88 of the Annual Report 2020.</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

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.

| | | |
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| 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.

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|--|---|--|---|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman of the Audit and Risk Management Committee (“ARMC”) is an Independent Non-Executive Director, who is not the Chairman of the Board. | |
| | | The Chairman of the Board | Dato’ Nik Ismail bin Dato’ Nik Yusoff <i>(Independent Non-Executive Director)</i> |
| | | The Chairman of ARMC | Dr. Ch’ng Huck Khoon <i>(Independent Non-Executive Director)</i> |
| Explanation for departure | : | | |
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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> | | | |
| 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.

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|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>For the financial year ended 31 March 2020, the Company does not have any former key audit partner that has been appointed to the ARMC.</p> <p>The Terms of Reference of ARMC reflects the requirements in Practice 8.2 of the Malaysian Code on Corporate Governance that "Any former key audit partner must have observed a cooling-off period of at least 2 years before one is eligible for appointment as AC member".</p> <p>The Terms of Reference of ARMC was published in the Company's website under Corporate Governance segment at www.atsys.com.my.</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

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.

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| Application | : Applied |
| Explanation on application of the practice | <p>The ARMC has policies and procedures to assess the suitability, objectivity and independence of external auditors and that such assessment would be carried out annually. The outcome of the assessment would form a basis for the ARMC in making recommendation to the Board on the re-appointment of the external auditors for the ensuing year at the AGM.</p> <p>During financial year 2020 ("FY2020"), the ARMC has carried out the annual assessment and in its assessment, the ARMC considered, inter alia, the following factors: -</p> <p>For "suitability" assessment: -</p> <ul style="list-style-type: none">• The external auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with approved professional auditing standards and applicable regulatory and legal requirements;• To the knowledge of the ARMC, the external auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Malaysian Institute of Accountants ("MIA") which has not been reserved by the Disciplinary Board of MIA;• The external auditors firm advises the ARMC on significant issues and new developments pertaining to financial reporting standards and internal controls on a timely basis;• The external auditors firm consistently meets the deadlines set by the Group; and• The external auditors' scope is adequate to cover the key financial and operational risks of the Group. <p>For "objectivity" assessment: -</p> <ul style="list-style-type: none">• The nature and extent of the non-audit services rendered and the appropriateness of the level of fees. <p>For "independence" assessment: -</p> <ul style="list-style-type: none">• The engagement partner has not served for a continuous period of more than five (5) years with the Company;• The ARMC receives assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in |

| | | |
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| | <p>accordance with the terms of all relevant professional and regulatory requirements; and</p> <ul style="list-style-type: none"> • Tenure of the current auditors. <p>The ARMC noted for the FY2020, Messrs. Ong & Wong, the external auditors of the Company confirmed that the members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.</p> <p>Upon completion of its assessment, the ARMC was satisfied with Messrs. Ong & Wong's technical competency i.e. suitability and independence during the financial year under review and recommended to the Board the re-appointment of Messrs. Ong & Wong as external auditors for the financial year ending 31 March 2021. The Board has in turn, recommended the same for shareholders' approval at the forthcoming AGM of the Company.</p> | |
| <p>Explanation for departure</p> | <p>:</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>:</p> | |
| <p>Timeframe</p> | <p>:</p> | |

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 | : | Adopted |
| Explanation on adoption of the practice | : | The members of the ARMC comprise of only Independent Non-Executive Directors as disclosed in the ARMC Report. |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The members of the ARMC comprised at least one (1) member with the requisite accounting qualification based on the requirement of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. Mr. Tan Lay Chee, is a member of the Malaysian Institute of Accountants and Association of Chartered Certified Accountants.</p> <p>Members of the ARMC are financially literate as they continuously keep themselves abreast with the latest development in the new accounting and auditing standards and the impact it may have on the Group through briefings by the Management and the External Auditors. During the financial year ended 31 March 2020, the Directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the relevant legislation, rules and regulations.</p> <p>The Company maintains a policy for Directors to receive training at the Company's expense, in areas relevant to them in the discharge of their duties as Directors or Board Committee members, including Mandatory Accreditation Programme for new Directors.</p> <p>The courses and training programmes attended by the Directors are disclosed in the Corporate Governance Overview Statement on pages 25 of the Annual Report 2020.</p> |
| Explanation for departure | : | |
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Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

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| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company has established a Risk Management Group (“RMG”) which is headed by the Executive Directors, the Chief Financial Officer and Directors and/or Senior Managers of the key subsidiaries/business units.</p> <p>The Board delegates to the ARMC and in turn to RMG, the responsibility for evaluating, reviewing and monitoring the vital enterprise risks that affect the business and operations on an on-going basis.</p> <p>The Board is committed to the development and implementation of an effective Enterprise Risk Management framework (“ERM”) to assist the Group to manage all key businesses risk with the intent to strengthening the risk management and internal control system as a whole.</p> <p>The RMG will report to the Board through the ARMC.</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 | : | Further information on the Group’s risk management and internal control framework is presented in the Statement on Risk Management and Internal Control in the Annual Report. | |
| Explanation for departure | : | | |
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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> | | | |
| 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 | : | Not Adopted | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Currently, the Company has not setup a dedicated Risk Management Committee. Instead, the Company has combined the Risk Management Committee and Audit Committee to form the ARMC. | |
| | | The ARMC comprised all Independent Non-Executive Directors as follows, overseeing and reviewing the risk management of the Group: Dr. Ch'ng Huck Khoon (Chairman) Dato' Nik Ismail bin Dato' Nik Yusoff (Member) Tan Lay Chee (Member) | |
| <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 10.1

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 internal audit function is outsourced to an independent professional firm of consultant, namely Finfield Corporate Services Sdn Bhd ("Finfield") who reports directly to the ARMC.</p> <p>The outsourced internal audit function is independent of the activities and operations of the Group.</p> <p>During the financial year under review, the ARMC has:</p> <ol style="list-style-type: none">1. reviewed with internal auditors their audit plans to ensure adequate scope and coverage over the activities of the Group and ensure that all high-risk areas were covered during the review as well as they have the necessary authority to carry out their work.2. reviewed the internal audit reports and ensured that corrective actions had been taken by the management in response to audit findings; and3. appraised and evaluated the performance of the internal auditors and recommended to the Board their re-appointment and remuneration. |
| 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>All internal auditors are free from any relationships or conflicts of interest and that they perform audit assignments with impartiality, proficiency and due professional care.</p> <p>The Group's outsourced internal auditor, namely Finfield has three (3) personnel with relevant qualifications and/or experience in internal auditing.</p> <p>Finfield's engagement director in charge of the Group's internal audit is Mr. Tan Yen Yeow, a Professional Member of the Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia.</p> <p>During the financial year ended 31 March 2020, the internal audit of the Group was carried out in accordance with a risk-based audit plan (prepared in accordance with International Standards for the Professional Practices Framework) approved by ARMC.</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 recognises the importance of keeping the shareholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities. The Group practices open communication with its investors.</p> <p>In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.</p> <p>The Company's website at www.atsys.com.my incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.</p> <p>The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.</p> <p>In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board views general meetings as ideal opportunities to communicate with shareholders.</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 11.2

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

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | <p>Not applicable as the Company is not a Large Company as defined by the MCCG 2017.</p> <p>The Board is of the view that Company's Annual Report is comprehensive for stakeholders to make informed decisions.</p> <p>The Annual Report has provided financial and non-financial information in a comprehensive manner to the shareholders and stakeholders. The reports such as Management Discussion and Analysis, Sustainability Statement, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control form an integral part of the non-financial information.</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 12.1

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 Annual Report, which contains the Notice of AGM, together with the explanatory notes of the background information and reports or recommendations that are relevant to the proposed resolutions, as well as the Form of Proxy, is sent to the shareholders at least 28 days prior to the date of the AGM, so as to give sufficient time for the shareholders to consider the resolutions that will be discussed and decided at the AGM, and to arrange for proxies to attend the AGM on their behalf, if so required.</p> <p>The Notice of AGM, which sets out the businesses to be transacted at the AGM, is also published in a major local newspaper and Company's website.</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.

| | | | |
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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>All Directors attended the Company's last Annual General Meeting ("AGM") held on 13 September 2019.</p> <p>The Chairman provides sufficient time and opportunities for the shareholders to participate in the AGM. Questions from the shareholders were addressed by the Chairman and members of the Board (which include the Chairs of all mandated Board committees), and in some circumstances, by the management team. The External Auditors are also readily available to address the questions posted by the shareholders at the AGM.</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 12.3

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 | : | <p>AT Systematization Berhad is not categorised as a listed company with a large number of shareholders and general meetings are not held in remote locations.</p> <p>The Board has always given foremost consideration to the location of its general meetings to ensure it is easy to reach or easily accessible to shareholders. The Company has been holding Annual General Meeting (“AGM”) at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan since 2014. The upcoming Company’s 16th AGM will also be held at Menara Lien Hoe in Petaling Jaya.</p> <p>The Company adopted poll voting at its 15th AGM for all resolutions proposed, where the votes were cast by way of voting slips. The Company has not adopted any technology to facilitate the voting in absentia and remote shareholders’ participation at its 15th AGM.</p> <p>The Board will continue to monitor developments in the market in respect of new technologies to facilitate the conduct of meetings remotely and may consider implementing the same in the future if there is a strong need for it at reasonable cost.</p> <p>As an alternative to the recommended practice, shareholders who are unable to attend general meetings are allowed to appoint their respective proxies to participate, speak and vote on their behalf at all general meetings the Company.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |

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| Timeframe | : | | |
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**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.

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