

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the “Board”) of AT Systematization Berhad is committed to achieve and maintain high standards of corporate governance within the Group as a fundamental part of its responsibilities in managing the business and affairs of the Group in order to protect and enhance shareholders’ value.

This Statement is to provide shareholders and investors with an overview of the application of the Principles set out in the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) by the Group and should be read together with the Corporate Governance Report 2020 of AT Systematization Group (“CG Report”) which accompanies this Annual Report and is also available on the Company’s website at www.atsys.com.my.

The CG Report provides the details on how the Group has applied each Practice as set out in the MCCG 2017 during the FY2020. Other than Practice 4.5, 4.6, 7.2 and 11.2, the Board is of the view that the Group has substantially complied with the recommendations of MCCG 2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Activities

The business and affairs of the Group are managed under the direction and oversight of the Board, which also has the responsibility to periodically review and approve the overall strategies, business, organization and significant policies of the Group. The Board also sets the Group’s core values, adopts proper standards to ensure that the Group operates with integrity, and complies with the relevant rules and regulations.

Board Composition

The Board currently consists of five (5) Directors, comprising:-
(a) Three (3) Independent and Non-Executive Directors; and
(b) Two (2) Executive Directors.

The Board consists of members from a wide range of discipline and background, providing in-depth and diversity in experience to the Group’s operations. The Board is led by an Independent Non-Executive Chairman while the executive management is helmed by the Managing Director and Executive Director. All Independent Non-Executive Directors are free from any business dealings and other relationship with the Group and therefore play a crucial role in corporate accountability with their independent, unbiased views, advice and judgment in the decision-making process. The Board, from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities.

With Dato’ Nik Ismail bin Dato’ Nik Yusoff as the Independent Non-Executive Chairman and Mr. Choong Lee Aun as the Managing Director, there is a clear division of responsibilities between these roles to ensure a balance of power and authority. The Chairman is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. The Board is also in compliance with MCCG 2017’s recommendation that the Chairman of a Company shall be a non-executive independent Director, and the positions of the Chairman and the Managing Director are held by two different individuals. Furthermore, the complement of Non-Executive Directors provides an effective Board with a mix of industry-specific knowledge, technical and commercial experience. This balance enables the Board to provide a clear and effective leadership to the Company and to bring informed and independent judgment to various aspects of the Company’s strategies and performance.

The Independent Non-Executive Directors further strengthen the Board in providing unbiased and independent views, advice and judgement. They also contribute to the formulation of policies and decision-making through their expertise and experience. Appointment of Board members and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

A brief profile of each Director is presented on Page 14 to Page 16 of this Annual Report.

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Board Responsibilities and Duties

The Company is led by an experienced and dynamic Board. It has a balanced board composition with effective independent directors. The Board takes full responsibility and retains full and effective control over the affairs of the Group. The Board's functions and responsibilities are as stipulated in the Board Charter, their primary focus is on overall strategic planning including business plan and annual budget, performing quarterly review of business and financial performance, reviewing risk management, exercising internal controls and enforcing legal and statutory compliance.

Board Charter

The Board has established a Board Charter which set out the duties and responsibilities of individual directors, Board Committee and the Board as a whole in accordance with the principles of good corporate governance, relevant legislations and regulations.

The Board Charter outlines the composition and structure of the Board, the appointment of new Directors to the Board, the Board's powers duties and responsibilities including the division of responsibilities between executive and non-executive directors and management, establishment of Board Committees, remuneration of Directors and processes and procedures for convening Board meetings. The Board Charter also underlines the Board's commitment to compliance with laws, regulations and its internal code of ethics. The Board Charter is subject to review as and when required and will be updated from time to time to reflect changes to the Company's policies, procedures and processes as well as changes to legislations and regulations. The Board Charter is available on the Company's website at www.atsys.com.my.

Code of Conducts

The Company has set out a Code of Conducts for its Directors, management and employees. The Code of Conducts is established to promote the corporate culture which engenders ethical conduct that permeates throughout the Group.

The Group in its effort to enhance corporate governance has put in place a whistleblowing policy to provide an avenue for employees and stakeholders to report genuine concerns about malpractices, unethical behavior, misconduct or failure to comply with regulatory requirements without fear of reprisal.

Any concerns raised will be investigated and a report and update will be provided to the Audit and Risk Management Committee.

The Group has adopted an Anti-Bribery and Anti-Corruption Policy which sets out parameters to prevent the occurrence of bribery and corrupt practices in relation to the business of the Group. This policy is to provide information and guidance to the Directors and employees of the Group on the standards of behaviour to which they must adhere to and how to recognise and deal with bribery and corruption.

The Board shall review the Whistleblowing Policy and Anti-Bribery and Anti-Corruption Policy as and when required and the said policies are available at the Company's website at www.atsys.com.my.

Company Secretary

The Directors have unrestricted access to the advice and services of the Company Secretaries. The Directors may obtain independent professional advice where necessary at the Company's expense in the furtherance of their duties. The Directors are also regularly updated by the Company Secretaries on latest regulatory updates from Bursa Securities, Securities Commission, Companies Commission of Malaysia ("CCM") and other regulatory bodies relating to Directors' duties and responsibilities in order to assist them in the discharge of their duties as Directors of the Company and ensuring the effective functioning of the Board.

Access to information and advice

The Directors have full and timely access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively. Prior to each Board meeting, a full set of Board papers together with the agenda were forwarded to the Board members to allow the Directors to study and evaluate the matters to be discussed and subsequently make effective decisions.

The Directors may seek advice from the management on issues under their respective purview. The Directors may also interact directly with the management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them. In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

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Board Meeting

There were four (4) Board Meetings held during the FY2020. Meeting agendas included review of quarterly financial results and announcements, plan and direction of the Group. The record of attendance for each Director at those meetings are set out below:-

Name of Directors	Designation	No. of Meetings Attended	Percentage of Attendance (%)
Dato' Nik Ismail bin Dato' Nik Yusoff	Independent Non-Executive Chairman	4/4	100
Choong Lee Aun	Managing Director	4/4	100
Mak Siew Wei	Executive Director	4/4	100
Dr. Ch'ng Huck Khoon	Independent Non-Executive Director	4/4	100
Tan Lay Chee <i>(appointed on 31 Mar 2020)</i>	Independent Non-Executive Director	-	-
Chang Vun Lung <i>(resigned on 31 Dec 2019)</i>	Independent Non-Executive Director	3/3	100

The Board meetings are fixed in advance at the end of the preceding financial year to enable the Directors to plan ahead and incorporate the year's meetings into their own schedules. Board meetings are held every quarter and additional meeting are held as and when necessary. Senior management are invited to attend board meetings to furnish details or clarifications on matters tabled for the Board's consideration.

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are sought via written resolutions, which are attached with sufficient and relevant information required for an informed decision to be made. Where a potential conflict arises in any transactions involving any particular Director's interest, such Director is required to declare his or her interest and abstain from discussion and the decision-making process. In the event one or more Directors are unable to attend Board meetings physically, the Company's Constitution allow for such meetings to be conducted via telephone, video conference or any other form of electronic communication.

Continuing Education Programmes

The Board acknowledges the importance of continuous education and training in order to broaden one's perspective and to keep abreast with the current and future developments in the industry and global markets, regulatory updates as well as management strategies to enhance the Board's skills and knowledge in discharging their duties. Orientation programme is initiated for the newly appointed Directors to familiarize them with the Group's business and operations. All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

During the financial year under review, the Company had organised in-house trainings for the Directors and employees of the Group. The Directors are also encouraged to attend various external professional programmes which they individually considered as relevant and useful to further enhance their business acumen and professionalism in discharging their stewardship responsibilities.

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The Company Secretaries keep Directors informed of relevant external training programmes and all of the Directors have undergone training during the financial year. The external conferences/workshops and internally organized programmes attended by the Directors during the FY2020 encompasses the following topics:-

Name of Directors	Topics
Dato' Nik Ismail bin Dato' Nik Yusoff	<ul style="list-style-type: none"> Shared Prosperity Vision 2030 and Budget 2020 Review
Choong Lee Aun	<ul style="list-style-type: none"> Shared Prosperity Vision 2030 and Budget 2020 Review Corporate Liability on Corruption Under Malaysian Anti-Corruption Act 2009 (Amended 2018) Key Amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Bhd Relating to Continuing Disclosure Obligations and Other Amendments
Mak Siew Wei	<ul style="list-style-type: none"> Shared Prosperity Vision 2030 and Budget 2020 Review
Dr. Ch'ng Huck Khoon	<ul style="list-style-type: none"> Shared Prosperity Vision 2030 and Budget 2020 Review Malaysia Post GE14's Trade and Foreign Policies: Impact on Malaysia Capital Market Analyse This - How Research Helps Investors to Make Better Decisions China's Belt and Road Initiative: Impact on Malaysia Market
Tan Lay Chee (appointed on 31 Mar 2020)	<ul style="list-style-type: none"> MFRS 15 Revenue from Contracts with Customers Workbook Style Understand and Applying the MFRS - A Practical Approach
Chang Yun Lung (resigned on 31 Dec 2019)	<ul style="list-style-type: none"> Shared Prosperity Vision 2030 and Budget 2020 Review



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Board Committees

The Board has delegated appropriate responsibilities to the Board Committees, namely the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee as well as two (2) Sub-Committees, namely Investment Committee ("IC") and Share Issuance Scheme Committee ("SISC"), in order to enhance business and operation efficiency and efficacy. The respective terms of references have been established for all Board Committees and will be updated from time to time to keep abreast with the best practices in Corporate Governance. The Chairman of the respective Committees will report to the Board on the outcome of the Committee meetings.

Nominating Committee ("NC")

The NC was established on January 24, 2006 and comprises entirely of Independent Non-Executive Directors. The NC establishes a formal and transparent procedure for the nomination and appointment of new directors to the Board. The NC reviews the composition of the Board Committees in accordance with the terms of reference of the Board Committees. The NC also reviews annually the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual director through the annual assessment questionnaire completed by each director. Appointments to the Board are made via a formal, rigorous and transparent process, premised on meritocracy and taking into account objective criteria such as qualification, skills, experience, professionalism, integrity and diversity needed on the Board in the context of the Group's strategic direction. In determining candidates for appointment to the Board Committees, various factors are considered, including the time commitment of the Board Committee members in discharging their role and responsibilities through attendance at their respective meetings, their performance and contribution to the achievement of the Board Committees' goals and objectives, possession of the attributes, capabilities and qualifications considered necessary or desirable for committee service and demonstration of independence, integrity and impartiality in decision-making.

The NC also assesses the performance of the director(s) who will be seeking re-election at the Annual General Meeting ("AGM") and to recommend them for re-election. The NC met once to carry out the annual review of the Board and its Committees and the assessment of the Board members for the FY2020. The composition of NC are as follows:-

Chairman	: Dr. Ch'ng Huck Khoon (Independent Non-Executive Director)
Members	: Dato' Nik Ismail bin Dato' Nik Yusoff (Independent Non-Executive Director)
	: Tan Lay Chee (Independent Non-Executive Director) (<i>appointed on 31 Mar 2020</i>)
	: Chang Yun Lung (Independent Non-Executive Director) (<i>resigned on 31 Dec 2019</i>)

Due to the size of the Board, the Board has not appointed a senior independent director to whom shareholders may voice their concerns. This task will be played by the Board as a whole.

The Board is confident that its current size and composition is sufficient and effective in discharging the Board's responsibilities and in meeting the Group's current needs and requirements.

The Terms of Reference of the NC is available on the Company's website at www.atsys.com.my.

Criteria used in recruitment and annual assessment

Any proposals for new appointments to the Board are reviewed by the NC and presented to the Board for approval. The Company Secretaries will ensure that all appointments are properly made, and that regulatory obligations are met.

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Rule 15.06 of the ACE LR, a Director of a public listed company must not hold more than five (5) directorships in public listed companies and must be able to commit sufficient time to the Company. The Directors

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are required to submit an update of their other directorships from time to time for monitoring of the number of directorships held by the Directors of the Company and to notify CCM accordingly.

Tenure of Independent Directors

The Board noted the Practice 4.2 of the MCCG 2017 states 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 approval of shareholders to continue as an Independent Director or be re-designated as a Non-Independent Director. An Independent Director who continues to serve the Boards after the 12th year of appointment will require shareholders' approval at a general meeting through a 2-tier voting process as prescribed under the MCCG 2017.

Currently, all the Independent Directors of the Company has each served less than nine (9) years in the Company. The Board noted the recommendation of MCCG 2017 and shall address the matter when the need arises.

Gender Diversity Policy

The Board is committed to provide fair and equal opportunities and nurturing diversity within the Group with due consideration on skills, industry experience, background, age, race, gender and other qualities in determining the optimum composition of the Board. The Board is also mindful of the recommendation of the MCCG 2017 to have at least 30% women decision-makers in the Board. However, the Board does not have a specific policy on setting targets for female candidates.

Remuneration Committee ("RC")

The RC comprises entirely of Independent Non-Executive Directors. The RC met once during the FY2020. The composition of RC are as follows:-

Chairman	: Dr. Ch'ng Huck Khoon (Independent Non-Executive Director)
Members	: Dato' Nik Ismail bin Dato' Nik Yusoff (Independent Non-Executive Director)
	: Tan Lay Chee (Independent Non-Executive Director) (<i>appointed on 31 Mar 2020</i>)
	: Chang Vun Lung (Independent Non-Executive Director) (<i>resigned on 31 Dec 2019</i>)

The RC is entrusted by the Board to implement the policies and procedures on matters relating to the remuneration of the Board and Senior Management and making recommendations on the same to the Board for approval. The Board has adopted the policies deliberated by the RC, with the Director interested abstaining from discussion, to determine the remuneration of Directors and Senior Management to align with business strategy and long-term objectives of the Group. The remuneration policies and procedures adopted are aimed at attracting and retaining talent needed to run the Group successfully.

The Executive Directors and Senior Management are paid salaries, allowance, performance-based incentive including bonus and other customary benefits as appropriate. The remuneration is set based on relevant market relativities, performance, qualifications, experience and geographic location where the personnel is based. The salary level for Executive Directors and Senior Management takes into account the nature of the role, performance of the business and the individual and market positioning.

The remuneration of Independent Directors comprises fees, meeting allowances and other benefits. The Board ensures that the remuneration for Independent Non-Executive Directors do not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meetings.

The respective Directors are required to abstain from deliberation and voting on their own remuneration at Board Meetings. In relation to the fees and allowances for Directors, it will be presented at the annual AGM for shareholders' approval.

The Terms of Reference of the RC is available on the Company's website at www.atsys.com.my.