

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0155  
**COMPANY NAME** : Malaysian Genomics Resource Centre Berhad  
**FINANCIAL YEAR** : June 30, 2019

## OUTLINE:

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

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

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

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

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

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

### **Intended Outcome**

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

### **Practice 1.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The role of the Board is set out under Item 3.2 of the Board Charter adopted by the Company, as follows:-</p> <p>3.2 The Board has the following principal responsibilities, which facilitate the discharge of the Board's stewardship in the pursuit of the best interests of the Company:</p> <ul style="list-style-type: none"><li>• reviewing and adopting the business plan and overall strategic directions for the Company including establishing Company's goals and ensuring that the strategies are in place to achieve them;</li><li>• establishing policies for strengthening the performance of the Company including ensuring that the Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;</li><li>• overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;</li><li>• identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;</li><li>• succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing senior management members of the Group;</li><li>• developing and implementing an investor relations programme or shareholders communications policy for the Company;</li><li>• reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;</li></ul>

	<ul style="list-style-type: none"> <li>• deciding on necessary steps to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;</li> <li>• ensuring that the Company's financial statements are true and fair and conform to any applicable laws and/or regulations; and</li> <li>• ensuring that the Company has appropriate corporate governance structures in place including standards of ethical behaviour, and promoting a culture of corporate responsibility.</li> </ul> <p>To assist in the discharge of the Board's stewardship role, the Board has delegated and conferred some of its authority and power to the Executive Directors and certain Board Committees, namely, Audit Committee and Nomination and Remuneration Committee.</p> <p>Whilst the Board Committees are entrusted with the responsibility to oversee specific aspects of the Company's affairs in accordance with their respective terms of reference as approved by the Board and to report to the Board on their findings and recommendations, the Board has delegated certain responsibilities to the Executive Directors.</p> <p>During each Board meeting, the Directors undertake the following activities:</p> <ol style="list-style-type: none"> <li>a) Review the strategic aims for the Company;</li> <li>b) Assess the Company's performance in the previous quarter;</li> <li>c) Provide constructive feedback and guidance on areas which should be improved;</li> <li>d) Review and follow-up on issues raised at previous meetings to ensure that suggested action items and solutions have been implemented; and</li> <li>e) Review quarterly financial results and announcements.</li> </ol> <p>In July 2019, an informal meeting of the Board of Directors was convened solely to review the business plan and projections for the Group, and to discuss immediate action plans and future directions.</p>
<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

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>	:	<p>The Company has adopted a Board Charter, which describes the role of the Chairman under item 4.1.2 and 4.1.3. as follows:-</p> <p>4.1.2 The Chairman is responsible for:</p> <ul style="list-style-type: none"><li>(a) leadership of the Board;</li><li>(b) overseeing the effective discharge of the Board's supervisory role;</li><li>(c) facilitating the effective contribution of all Directors;</li><li>(d) conducting the Board's meetings;</li><li>(e) briefing on issues arising at meetings to all Directors;</li><li>(f) scheduling regular and effective evaluations of the Board's performance;</li><li>(g) promoting constructive and respectful relations between Board members and between the Board and the Management;</li><li>(h) representing the Board to shareholders;</li><li>(i) ensuring the integrity and effectiveness of the governance process of the Board; and</li><li>(j) maintaining regular dialogue with the Board over all operational matters and consulting with the Board promptly over any matter that gives him or her cause for concern.</li></ul> <p>4.1.3 The Chairman will act as facilitator at meetings of the Board to ensure that no Director, whether executive or non-executive, dominates discussions during Board proceedings.</p> <p>The Board has designated Tan Sri Datuk (Dr) Rafiah binti Salim as the Chairman of the Board.</p> <p>During Board meetings, the Chairman plays an active role in ensuring that all Directors are given an opportunity to contribute to discussions, and that all matters on the agenda are addressed.</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**

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>	:	The positions of the Chairman of the Board and the Managing Director of the Company are held by two different individuals. The position of Managing Director is held by Mr. Robert George Hercus @ Abdul Karim Hercus, while the position of Chairman is held by YBhg. Tan Sri Datuk (Dr) Rafiah binti Salim.	
<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>	<p>The Company has adopted a Board Charter which sets out the role of the Company Secretary as follows:</p> <p><b>5.1 The Company Secretary</b></p> <p>5.1.1 The appointment and removal of the Company Secretary shall be a matter of the Board as a whole.</p> <p>5.1.2 The Company Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.</p> <p>5.1.3 All Directors, particularly the Chairman, have access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business of the Company.</p> <p>The company secretarial function is outsourced to Securities Services (Holdings) Sdn. Bhd., a firm of qualified company secretaries. The firm has assigned two (2) Company Secretaries, namely Ms. Chua Siew Chuan and Ms. Tan Loo Ee who are experienced and qualified to act as Company Secretaries pursuant to Section 235 of the Companies Act 2016.</p> <p>The Company Secretaries play an active role in assisting Management with the preparation of all required documentation, minutes and updates for Board and Board Committee meetings.</p> <p>During the financial year under review, the Company Secretaries or the representative of the Company Secretaries attended all Board and Board Committee meetings.</p> <p>The Company Secretaries also reviewed and commented on all annual report disclosures prior to printing. In addition, the Company Secretaries provided advice and guidance to the Board and Management on matters of a regulatory or company secretarial nature.</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 1.5

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>	<p>Item 5 of the Company's Board Charter sets out the relevant provisions governing notices of meeting, agenda, and Board papers, as follows:-</p> <p><b>5.2 Notice of Meeting, Agenda and Board Papers</b></p> <p>5.2.1 The Company Secretary prepares the notice of meeting and the agenda for each meeting. The Company generally adopts the Company's Articles of Association for disseminating notice of meeting and the agenda. The appropriate preparatory Board papers are sent to the Board members in advance to allow time for adequate meeting preparation.</p> <p>5.2.2 Minutes of all Board meetings are properly recorded in substantial detail and length, including issues discussed in arriving at decisions. The minutes shall be circulated in a timely manner and shall be reviewed and approved by the members of the Board.</p> <p>The agenda for the Board Meetings together with relevant reports and information on the Company's business operations, in addition to proposal papers for the Board's consideration, are circulated to all the Directors prior to the meetings in a timely manner to enable the Directors to review the material and obtain additional information or clarification prior to the meeting.</p> <p>The Directors receive notice of the agenda together with copies of the minutes of the previous meetings at least one (1) week before the meeting. Other meeting papers are also circulated to the Board at least three (3) days before the meeting date.</p> <p>The Directors have access to all information within the Company as well as to the advice and services of the Company Secretaries, whether as a full Board or in their individual capacities, to assist them in the decision-making process. Where necessary, the Directors may engage independent professionals at the Company's expense on specific issues, in order to enable the Directors to discharge their duties with the benefit of all available knowledge and resources.</p>
<b>Explanation for departure</b>	:

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is 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>	<p>The Company has adopted a Board Charter which is periodically reviewed. The Board Charter (updated in 2018) is available on the Company's website at <a href="http://www.mgrc.com.my/investor-relations/corporate-governance/">http://www.mgrc.com.my/investor-relations/corporate-governance/</a>.</p> <p>The Board Charter contains and identifies the respective roles and responsibilities of the Board, Board committees, individual Directors and Management, as well as issues and decisions reserved for the Board. The relevant extracts of the Board Charter are set out below:-</p> <p><b>3. Roles and Responsibilities of the Board</b></p> <p>3.1 The Board is charged with leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed.</p> <p>3.2 The Board has the following principal responsibilities, which facilitate the discharge of the Board's stewardship in the pursuit of the best interests of the Company:</p> <ul style="list-style-type: none"> <li>• reviewing and adopting the business plan and overall strategic directions for the Company including establishing Company's goals and ensuring that the strategies are in place to achieve them;</li> <li>• establishing policies for strengthening the performance of the Company including ensuring that the Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;</li> <li>• overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;</li> </ul>

	<ul style="list-style-type: none"> <li>• identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;</li> <li>• succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing senior management members of the Group;</li> <li>• developing and implementing an investor relations programme or shareholders communications policy for the Company;</li> <li>• reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;</li> <li>• deciding on necessary steps to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;</li> <li>• ensuring that the Company's financial statements are true and fair and conform to any applicable laws and/or regulations; and</li> <li>• ensuring that the Company has appropriate corporate governance structures in place including standards of ethical behaviour, and promoting a culture of corporate responsibility.</li> </ul> <p>3.3 In the normal course of events, the day-to-day management of the Company will be in the hands of the Management and under the stewardship of the Managing Director.</p> <p>3.4 Any member of the Board may request for independent professional advice in the discharge of his/her fiduciary duties by forwarding a request to the Executive Director of the Company who will then direct the same to an external service provider. The expenses incurred in this connection shall be borne by the Company.</p> <p><b>4.1 Chairman of the Board</b></p> <p>4.1.2 The Chairman is responsible for:</p> <ul style="list-style-type: none"> <li>(a) leadership of the Board;</li> <li>(b) overseeing the effective discharge of the Board's supervisory role;</li> <li>(c) facilitating the effective contribution of all Directors;</li> <li>(d) conducting the Board's meetings;</li> <li>(e) briefing on issues arising at meetings to all Directors;</li> <li>(f) scheduling regular and effective evaluations of the Board's performance;</li> <li>(g) promoting constructive and respectful relations between Board members and between the Board and the Management;</li> <li>(h) representing the Board to shareholders;</li> </ul>
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	<p>(i) ensuring the integrity and effectiveness of the governance process of the Board; and</p> <p>(j) maintaining regular dialogue with the Board over all operational matters and consulting with the Board promptly over any matter that gives him or her cause for concern.</p> <p><b>4.2 Managing Director</b></p> <p>4.2.3 The Managing Director is responsible for:</p> <p>(a) strategic business direction, plans and policies of the Company;</p> <p>(b) the efficient and effective operation of the Company;</p> <p>(c) day-to-day management of the Company with all powers, discretions and delegations authorised, from time to time, by the Board; and</p> <p>(d) bringing material matters to the attention of the Board in an accurate and timely manner.</p> <p><b>4.3 Board Committees</b></p> <p>4.3.1 To assist the Board in carrying out its duties and responsibilities, the Board has established the following Committees of the Board, each with clearly defined Terms of Reference (“TOR”) in order to enhance corporate efficiency and effectiveness: -</p> <p>(a) Audit Committee; and</p> <p>(b) Nomination and Remuneration Committee.</p> <p>4.3.2 These Board Committees undertake in-depth deliberation of the issues at hand before tabling recommendations thereon to the Board.</p> <p>4.3.3 Each Committee has an obligation to report on its meetings to the Board, and minutes of all Committee Meetings shall be made available to all Directors.</p> <p>4.3.4 The Management and third parties are co-opted to the Committees as and when required.</p> <p>4.3.5 The Board may also delegate specific functions to ad hoc committees as and when required.</p>
<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>	

<b>Timeframe</b>	:		
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**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>	:	<p>The Company has adopted a Code of Conduct and Ethics which is available on the Company's website at <a href="http://www.mgrc.com.my/investor-relations/corporategovernance/">http://www.mgrc.com.my/investor-relations/corporategovernance/</a>. It sets out basic principles to guide all the Directors of the Company and its subsidiaries, on the appropriate standards of conduct and ethical behaviour for Directors, and covers the following areas:</p> <ul style="list-style-type: none"> <li>• Compliance with laws, rules and regulations</li> <li>• Corporate governance</li> <li>• Conduct of business and fair dealing</li> <li>• Conflicts of interest, corrupt practices, unlawful and unethical behaviour, improper use of Company's assets</li> <li>• Use of non-public information and disclosure (insider trading)</li> <li>• Use of company funds, assets and information</li> <li>• Social responsibility and the environment</li> <li>• Proper records and communication</li> <li>• Spokesman</li> <li>• Whistleblowing</li> <li>• Breaches, waiver and review</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>	:	<p>The Company has adopted a policy on Whistleblowing in order to provide a transparent and confidential process for dealing with concerns.</p> <p>The following general principles are set out in the policy:</p> <ul style="list-style-type: none"><li>• All concerns raised by employees will be treated fairly and properly, as long as it is a genuine concern;</li><li>• the Company will not tolerate harassment or victimisation of anyone raising a genuine concern;</li><li>• any individual making a disclosure will retain anonymity unless the individual agrees otherwise;</li><li>• the Company will ensure that any individual raising a concern is aware of who is handling the matter; and / or</li><li>• the Company will ensure no one will be at risk of suffering some form of reprisal as a result of raising a concern even if the individual is mistaken.</li></ul> <p>A grievance procedure is also clearly outlined in the policy.</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**

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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board consists of five (5) members, of which, two (2) are Executive Directors, one (1) is a Non-Independent Non-Executive Director and two (2) are Independent Non-Executive Directors, thus fulfilling the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad which stipulates that at least two Directors or one-third of the Board, whichever is the higher, should comprise Independent Directors.	
<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>	<p>The Company has adopted a Board Charter, which limits the tenure of its independent Directors to nine (9) years.</p> <p><b>4.7 Tenure of Independent Director</b></p> <p>4.7.2 The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve on Board subject to his/her re-designation as Non-Independent Director.</p> <p>4.7.3 In the event the Director was to remain designated as an Independent Director, the Board shall first justify this position and obtain shareholders' approval.</p> <p>4.7.4 If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board shall seek annual shareholders' approval through a two-tier voting process.</p> <p>The Nomination and Remuneration Committee and Board of Directors of the Company had assessed the independence of Tan Sri Datuk (Dr) Rafiah Binti Salim, who has served as an Independent Non-Executive Chairman of the Company since 22 January 2010 for a cumulative term of more than nine (9) years and subsequently re-designated as a Senior Independent Non-Executive Chairman of the Company on 7 October 2011, and with her consent, had recommended for her to continue to act as a Senior Independent Non-Executive Chairman based on the following justifications:-</p> <p>a) she fulfilled the criteria of the definition of Independent Director as stated in the Listing Requirements;</p> <p>b) her vast experience would enable her to provide the Board with a diverse set of experience, expertise and independent judgement to better manage and run the Group;</p>

	<p>c) she has been acting in good faith and in the best interests of the Company as a Senior Independent Non-Executive Chairman, exercising her independent judgement during deliberations and decision-making during the Company's meetings and was familiar with the Company's business operations; and</p> <p>d) she has proven to be a reliable Independent Director with her professionalism aptitude and outlook of business perspective, devoted sufficient time and attention to her professional obligations for informed and balance decision-making and had also exercised due care during her tenure in the best interests of the Company and the shareholders.</p> <p>The Company would seek for the shareholders' approval on the same at the forthcoming Annual General Meeting of the Company.</p>
<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**

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>	:	<p>The appointment of Board members is done in accordance with item 4.5 of the Board Charter and also Item 1 of the Policies governing the Board of Directors, both of which are available on the Company's website at <a href="http://www.mgrc.com.my/investor-relations/corporate-governance/">http://www.mgrc.com.my/investor-relations/corporate-governance/</a></p> <p>As set out in the Company's policies on the appointment and remuneration of Senior Managers which forms part of the Policies governing the Board of Directors (Item 7) that the appointment of senior managers is based on objective criteria such as their individual qualifications, years of working experience and their expertise in various aspects of the Company's business and operations, as well as qualities such as strong leadership traits.</p>
<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 4.5**

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>	:	<p>Item 4.4.3 of the Company's Board Charter sets out its policies regarding Board composition.</p> <p>4.4.3 The Board shall consist of individuals with diverse backgrounds who are equipped with sufficient professional and technical knowledge, to effectively represent the interests of shareholders in setting the Company's strategy and ensuring its implementation.</p> <p>The Board is supportive of gender and ethnic diversity in the Boardroom. The Board comprises three (3) male and two (2) female Directors, representing two (2) of the three (3) major races in Malaysia. This information is also disclosed in the Corporate Governance Overview Statement in the 2019 Annual Report.</p>
<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 4.6**

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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	In identifying new Directors for appointment, the Board would consider recommendation from the existing Board members, management, or major shareholders.	
		In view of cost consideration and effectiveness, taking into account the operational requirement of the Group, the Board did not utilise independent sources to identify suitably qualified candidates.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination and Remuneration Committee is chaired by Ybhg. Tan Sri Datuk (Dr) Rafiah binti Salim, the Senior Independent Non-Executive Chairman of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The annual assessment of the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director have been carried out for the financial year ended 30 June 2019.</p> <p>In conducting each assessment/evaluation, the following main criteria were adopted by the Nomination and Remuneration Committee:-</p> <p>(a) <u>Evaluation on the effectiveness of the Board of Directors and the Committees of the Board</u></p> <ul style="list-style-type: none"><li>• Board mix and composition;</li><li>• Quality of information and decision making; and</li><li>• Boardroom activities.</li></ul> <p>(b) <u>Directors' self-assessment</u></p> <ul style="list-style-type: none"><li>• Contribution to interaction;</li><li>• Quality of input; and</li><li>• Understanding of role.</li></ul> <p>(c) <u>Audit Committee member's self/peer evaluation</u></p> <ul style="list-style-type: none"><li>• •Skill set and composition; and</li><li>• •Performance.</li></ul> <p>Based on the evaluation conducted for the financial year ended 30 June 2019, the Nomination and Remuneration Committee was satisfied with the performance of the Board as a whole and its Committees, individual Board member and Audit Committee.</p> <p>All the Directors and Board Committees provided anonymous feedback on their peers' performance and individual performance contribution to the Board and respective Committees. The results were then collated by the Company Secretaries and tabled to the Nomination and Remuneration Committee for deliberation. The review supported the Board's decision to endorse all retiring Directors standing for re-election.</p>

	<p>To review the independence of the Independent Non-Executive Directors, the fundamental premise of the assessment is that an Independent Non-Executive Director must be independent of management and free of any business, family or other relationship, that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of his independent and objective judgment in addition to the independence guidelines and criteria as set out in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.</p>	
<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>	:	"Policies Governing the Board of Directors" is available on the Company's website at <a href="http://www.mgrc.com.my/investor-relations/corporate-governance/">http://www.mgrc.com.my/investor-relations/corporate-governance/</a> , sets out the policies and procedures governing the remuneration of Executive Directors, Independent Directors and senior management.	
<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>	:	<p>The Board has established a Nomination and Remuneration Committee, the majority of whom are Independent Non-Executive Directors of the Company.</p> <p>One of the principal objectives of the Nomination and Remuneration Committee is to review and recommend remuneration of the Board and senior management.</p> <p>The terms of reference of the Nomination and Remuneration Committee is available on the Company's website at <a href="http://www.mgrc.com.my/investor-relations/corporate-governance/">http://www.mgrc.com.my/investor-relations/corporate-governance/</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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> :	<p>The details of remuneration of Directors of the Company comprising remuneration received/receivable from the Company and its subsidiaries during the financial year ended 30 June 2019 are as follows:</p> <p>(a) Company</p> <table border="1"><thead><tr><th><b>Name of Directors</b></th><th><b>Fees</b></th><th><b>Salaries and other emoluments</b></th><th><b>Bonuses</b></th><th><b>Benefit-in-kind</b></th><th><b>EPF and SOCSO</b></th><th><b>Total</b></th></tr><tr><td></td><td><b>(RM)</b></td><td><b>(RM)</b></td><td><b>(RM)</b></td><td><b>(RM)</b></td><td><b>(RM)</b></td><td><b>(RM)</b></td></tr></thead><tbody><tr><td colspan="7"><b><u>Non-Executive Directors</u></b></td></tr><tr><td>Tan Sri Datuk (Dr) Rafiah binti Salim</td><td>72,000</td><td>-</td><td>-</td><td>-</td><td>-</td><td>72,000</td></tr><tr><td>Ahmad Fauzi bin Ali</td><td>36,000</td><td>-</td><td>-</td><td>-</td><td>-</td><td>36,000</td></tr><tr><td>Toh Seng Thong</td><td>60,000</td><td>-</td><td>-</td><td>-</td><td>-</td><td>60,000</td></tr><tr><td colspan="7"><b><u>Executive Directors</u></b></td></tr><tr><td>Robert George Hercus @ Abdul Karim Hercus</td><td>540,000</td><td>-</td><td>-</td><td>-</td><td>-</td><td>540,000</td></tr><tr><td>Datuk Munirah binti Haji</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr></tbody></table>	<b>Name of Directors</b>	<b>Fees</b>	<b>Salaries and other emoluments</b>	<b>Bonuses</b>	<b>Benefit-in-kind</b>	<b>EPF and SOCSO</b>	<b>Total</b>		<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b><u>Non-Executive Directors</u></b>							Tan Sri Datuk (Dr) Rafiah binti Salim	72,000	-	-	-	-	72,000	Ahmad Fauzi bin Ali	36,000	-	-	-	-	36,000	Toh Seng Thong	60,000	-	-	-	-	60,000	<b><u>Executive Directors</u></b>							Robert George Hercus @ Abdul Karim Hercus	540,000	-	-	-	-	540,000	Datuk Munirah binti Haji	-	-	-	-	-	-
<b>Name of Directors</b>	<b>Fees</b>	<b>Salaries and other emoluments</b>	<b>Bonuses</b>	<b>Benefit-in-kind</b>	<b>EPF and SOCSO</b>	<b>Total</b>																																																										
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Abdul Hamid						
<b>Total</b>	<b>708,000</b>	N/A	N/A	N/A	N/A	<b>708,000</b>

(b) Group

<b>Name of Directors</b>	<b>Fees</b>	<b>Salaries and other emoluments</b>	<b>Bonuses</b>	<b>Benefit-in-kind</b>	<b>EPF and SOCSO</b>	<b>Total</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
<b><u>Non-Executive Directors</u></b>						
Tan Sri Datuk (Dr) Rafiah binti Salim	72,000	-	-	-	-	72,000
Ahmad Fauzi bin Ali	36,000	-	-	-	-	36,000
Toh Seng Thong	60,000	-	-	-	-	60,000
<b><u>Executive Directors</u></b>						
Robert George Hercus @ Abdul Karim Hercus	540,000	-	-	-	-	540,000
Datuk Munirah binti Haji Abdul Hamid	-	-	-	-	-	-
<b>Total</b>	<b>708,000</b>	N/A	N/A	N/A	N/A	<b>708,000</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>	:	<p>The Company has disclosed the top five (5) senior management's remuneration component in bands but not on named basis as the Board considered the information sensitive and proprietary since the Group's business is competing in competitive market, besides, the issue of personal security is also taken into consideration and may be wrongly used or quoted by certain parties.</p> <p>The top five (5) senior management's remuneration component including salary, bonus, benefit-in-kind and other emoluments in the followings bands is shown as below:</p> <table border="1"> <thead> <tr> <th>Remuneration (RM)*</th> <th>Bands</th> <th>No. of Senior Management</th> </tr> </thead> <tbody> <tr> <td>1 to 50,000</td> <td></td> <td>1</td> </tr> <tr> <td>50,001 to 100,000</td> <td></td> <td>-</td> </tr> <tr> <td>150,001 to 200,000</td> <td></td> <td>1</td> </tr> <tr> <td>500,001 to 550,000</td> <td></td> <td>1</td> </tr> <tr> <td>650,001 to 700,000</td> <td></td> <td>-</td> </tr> </tbody> </table>	Remuneration (RM)*	Bands	No. of Senior Management	1 to 50,000		1	50,001 to 100,000		-	150,001 to 200,000		1	500,001 to 550,000		1	650,001 to 700,000		-
Remuneration (RM)*	Bands	No. of Senior Management																		
1 to 50,000		1																		
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150,001 to 200,000		1																		
500,001 to 550,000		1																		
650,001 to 700,000		-																		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																				
<b>Measure</b>	:																			
<b>Timeframe</b>	:																			

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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



**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>	:	The Chairman of the Audit Committee is Mr. Toh Seng Thong while the Chairman of the Board is YBhg. Tan Sri Datuk (Dr) Rafiah binti Salim.  The Chairman of the Audit Committee is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Part 1, item B(iii) of the Company's Policies governing on External and Internal Auditors, stated as follows:</p> <p><b>iii) Appointment of a former key audit partner as an Audit Committee member of the Company</b></p> <p>A former key audit partner may not be appointed as a member of the Audit Committee of the Company unless he or she has observed a cooling-off period of at least two (2) years prior to the said appointment.</p> <p>At present, none of the Audit Committee Members is a former key audit partner of the Company's External Auditors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has adopted a policy entitled Policy on External and Internal Auditors which sets out policies and procedures to assess the suitability, objectivity and independence of the external auditors.</p> <p>The Audit Committee conducted an annual assessment of the suitability and independence of the external auditors for the financial year under review and was satisfied with the services rendered by Messrs. Crowe Malaysia PLT.</p> <p>Having considered all the above matters, the Board of Directors had upon the recommendation by the Audit Committee, approved the recommendation for the re-appointment of Messrs. Crowe Malaysia PLT as external auditors of the Company for the ensuing year for the shareholders' approval at the forthcoming Annual General Meeting.</p>
<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 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> :	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 8.5**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All members of the Audit Committee are financial literate, in view of their background and the continuous professional training. They are kept abreast of opportunities for professional development such as trainings, courses and other events conducted by Bursa Malaysia Berhad and other regulatory bodies, which are regularly circulated to them by the Company Secretaries. All trainings and courses attended by the members of the Audit Committee and all Directors, are disclosed in the Company's annual report.</p> <p>The internal auditors, external auditors and the company secretaries regularly briefed the Audit Committee members on recent developments in regulatory, accounting and auditing standards, practices and rules.</p>
<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>	:	<p>The Board has delegated the responsibility to review the adequacy and integrity of the Group's system of internal control and risk management to the Audit Committee.</p> <p>The Audit Committee is empowered under its terms of reference to seek assurance on the adequacy and integrity of the internal control and risk management system from Management and through independent reviews carried out by the external service provider, Axcelasia Columbus Sdn. Bhd.</p> <p>The Board recognise that the internal control and risk management system can only provide reasonable, and not absolute, assurance against material misstatement or loss.</p> <p>The Statement on Risk Management and Internal Control sets out in the Annual Report 2019 providing an overview of the state of the risk management and internal controls within the Group for the financial year under review.</p>
<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 9.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The risk management and internal control framework is disclosed in the Statement on Risk Management and Internal Control in Annual Report 2019.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</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 10.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to an independent service provider, Axcelasia Columbus Sdn. Bhd. (“Internal Auditors”).</p> <p>The Audit Committee reviews the adequacy and performance of the internal audit function annually to ensure it is effective and able to function independently of the operations of the Group through an internal Audit Planning Memorandum which is setting out the scope of the internal audit to be undertaken, is tabled to the Audit Committee.</p> <p>The Internal Auditors conducted two (2) internal audit cycles during the financial year under review, as follows:</p> <ul style="list-style-type: none"> <li>• Human Resources, covering the areas of manpower, recruitment, payroll and training and development; and</li> <li>• Laboratory operations, covering the areas of test methodology and procedure, consumables inventory, quality management, health, safety and security, sample receiving and handling (within the lab), and results preparation and delivery.</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 have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The Board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The engagement team from Axcelasia Columbus Sdn. Bhd. is headed by Encik Noradlan Abdul Latif and Cik Noor Lilah Wati Abdul Majid, the Executive Director and the Director of Axcelasia Columbus Sdn. Bhd. respectively.</p> <p>The Engagement Partner is Encik Noradlan Abdul Latif who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Member of the Institute of Internal Auditors (“IIA”) Malaysia and the Malaysian Institute of Accountants. En. Noradlan has a Certification in Control Self – Assessment (United States) from IIA and a Bachelor’s Degree in Accounting from University Utara Malaysia.</p> <p>The Engagement Director is Cik Noor Lilah Wati Abdul Majid. She has 20 years of experience in risk management and risk-based internal audit services. She is an Associate Member of IIA and has a Bachelor’s degree in Economics and Social Studies, from the University of Wales, Aberystwyth, United Kingdom.</p> <p>For the financial year ended 30 June 2019, Axcelasia Columbus Sdn. Bhd. has confirmed to the Audit Committee that all its engagement team personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>Axcelasia Columbus Sdn. Bhd. has informed the Audit Committee that its internal audit works were carried out in accordance with a framework set by a recognised professional body i.e. International Professional Practice Framework issued by Institute of Internal Auditors, of which final communication of internal audit plan, processes and results of the internal audit assessment are</p>

	supported by sufficient, reliable and relevant information which signifies a satisfactory conclusion of the internal audit work.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

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

**Practice 11.1**

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Board recognises the importance of accountability to shareholders on all major developments affecting the Company. Information is disseminated to shareholders and investors through various channels, which include annual financial statements, annual reports, as well as where appropriate, circulars and press releases. The Board regularly reviews the information disseminated to ensure that consistent and accurate information is provided to shareholders of the Company.</p> <p>The Annual General Meeting is the principal forum for dialogue with shareholders and serves as a platform on which Directors may promote and encourage bilateral communications with its shareholders. The external auditors are also present in order to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.</p> <p>In line with the recommendations of the Malaysian Code on Corporate Governance, the Chairman of the general meetings will inform the shareholders of their right to demand a poll vote at the commencement of all future general meetings.</p> <p>The Company has adopted a Corporate Disclosure Policy which sets out the standard operating procedures and guidelines for the Board and Management to follow in relation to dissemination of information to shareholders.</p> <p>The Board has also adopted a Policy on Shareholder Communications and Investor Relations.</p> <p>The Company maintains a website at <a href="http://www.mgrc.com.my/">http://www.mgrc.com.my/</a> for shareholders, investors and general public to access information on, amongst others, the Group's profile, products, financial performance, announcements, and corporate information.</p>
<b>Explanation for departure</b> :	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not classified as 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>	:	<p>The Notice of Annual General Meeting (“<b>AGM</b>”), together with the Annual Report 2019, was sent to the shareholders on 31 October 2019, at least twenty-eight (28) days prior to the date of the AGM scheduled to be held on 11 December 2019.</p> <p>In addition, an announcement of the Notice of AGM was made to Bursa Securities as well as advertisement of the Notice of AGM in the major local newspapers.</p> <p>The notes to the Notice of AGM also provide detailed explanation of each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</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 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All the Directors and Chairperson of the Board Committees were present at the 14<sup>th</sup> Annual General Meeting of the Company held on 19 November 2018 to engage with the shareholders personally and proactively.</p> <p>After each resolution is proposed, the Chairman provides an opportunity to the shareholders to ask questions on each resolution tabled, or on any associated matter.</p> <p>All the Directors have committed to attend the forthcoming Annual General Meeting of the Company scheduled to be held on 11 December 2019.</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>	:	<p>The Company has less than 400 shareholders. The number of shareholders of the Company is not considered large and attendance at the General Meetings is usually between 10 and 20 people.</p> <p>The General Meetings of the Company held annually in city centre, which was easily accessible by most of the shareholders. The General Meetings were not held at remote location to deter shareholders' participation.</p> <p>In addition, the shareholders who are not able to attend the General Meetings could appoint proxy to attend and vote on his/her behalf provided that the relevant proxy form is lodged at the Company's Share Registrar office at least forty-eight (48) hours before the General Meetings.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.*

Not Applicable.
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