

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 9008  
**COMPANY NAME** : OMESTI BERHAD  
**FINANCIAL YEAR** : March 31, 2018

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors of Omesti Berhad (Omesti and/or the Company) (Board) has the overall responsibility for corporate governance, strategic direction, corporate planning and overseeing the investment and business of the Group. The Board maps out the Group's strategies in addition to its responsibility to review the Management's action plans.</p> <p>The Board's other primary duties are to conduct regular reviews of the Group's business operations and performance and to ensure that effective controls and systems exist to measure and manage the principal risks.</p> <p>The Board also reviews major strategic initiatives of the Group to determine whether the proposed actions are in accordance with long-term business strategies and shareholder objectives. At the same time, the Board also undertakes the responsibility of safeguarding shareholders' equity interest through optimum utilisation of the capital resources, including issuance of debt and equity securities.</p> <p>Matters reserved for the Board's approval, except where they are expressly delegated by the Board to a committee, the Chairman or another nominated member of the Management. Details of the other roles and responsibilities of the Board are set out in the Board Charter.</p> <p>The Board has delegated some of its responsibilities to the Board Committees, namely Executive Committee (EXCO), Audit and Risk Management Committee (ARMC), Nominating Committee (NC), Remuneration Committee (RC) and Long-Term Incentive Plan Committee (LTIP). The roles and responsibilities of the Board Committees which had been delegated by the Board are set out in respective Board Committees' Terms of References.</p>

	<p>The Executive Directors are involved in leadership roles and they oversee the Group’s operations and performance. They liaise with the Chief Executive Officers of the operating subsidiaries on a regular basis on business strategies and opportunities to lead the Management to drive the Company and the Group forward.</p> <p>The Board has assigned the day-to-day management of the Group’s businesses and operations to the Executive Directors, the Executive Committee and the Chief Executive Officers of the operating subsidiaries, who are accountable for initiating ideas to create competitive edge in their respective industries or markets and the conduct and performance of their businesses within the agreed corporate objectives and business strategies.</p> <p>The Board recognises the importance of attracting and retaining key management personnel and as such has made concerted efforts to identify and groom middle management in all key areas as an integral part of the management succession plan. The plan also includes offering a competitive remuneration package and providing training and career development opportunities for employees in all key functions of the Group operations.</p> <p>The duties and responsibilities of the Board have been clearly specified in the Board Charter, which is available on the Company’s website at <a href="http://www.omesti.com">www.omesti.com</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

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>	:	The roles and responsibilities of the Chairman and Vice Chairman of the Board have been clearly specified in the Board Charter.  The Chairman of the Board, Tan Sri Dato' Seri Megat Najmuddin Bin Datuk Seri Dr. Hj. Megat Khas (Tan Sri Megat) has resigned on 2 January 2018. The Non-Executive Vice Chairman, Dato' Mah Siew Kwok (Dato' Mah) is deputising for the Chairman since the resignation of Tan Sri Megat.  The Board is putting its efforts in getting a suitable candidate to be appointed as 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

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>	:	<p>The roles of Chairman and the Managing Director / Chief Executive Officer (CEO) are separate and their roles and responsibilities are provided in the Board Charter, which is available on the Company's website at <a href="http://www.omesti.com">www.omesti.com</a>.</p> <p>The NC and the Board is looking for a suitable candidate to fill up the vacancy of CEO of Omesti which left vacant following the resignation of CEO on 31 December 2015. The role of CEO currently undertaken by the Executive Directors of the Company.</p> <p>The Board recognises the importance of having a clearly accepted division of function and responsibilities of the above roles to ensure a balance of power and authority. The Independent Non-Executive Chairman presides over all meetings of the Board. The roles and responsibilities of the Independent Non-Executive Chairman, the Non-Executive Vice Chairman and of the Executive Directors are clearly established, each having separate and clearly defined scopes of responsibilities and authority. The division of roles and responsibilities ensures that there is no excessive concentration of power in these positions.</p> <p>The Executive Directors have overall responsibility for the operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions. The Independent Non-Executive Chairman is responsible for the leadership of the Board, ensuring its effectiveness and ensuring that proper strategy and business conduct are proposed to the Board for deliberation. He is constantly in touch with and maintains regular dialogue with the Non-Executive Vice Chairman and the Executive Directors.</p> <p>The Chairman of the Board, Tan Sri Megat has resigned on 2 January 2018. The Non-Executive Vice Chairman, Dato' Mah is deputising for the Chairman since the resignation of Tan Sri Megat.</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 1.4

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 Secretaries play advisory role to the Board on matters pertaining to compliance of procedures, rules and regulatory requirements. The Board may consult with other Group employees and seek additional information where appropriate. Likewise, the Directors have access to independent professional advice whenever such services are needed to assist them in carrying out their duties, at the Company's expense. Any such requests shall be forwarded to the Chairman for approval.</p> <p>Both Company Secretaries of Omesti are qualified to act as company secretary pursuant to Section 235(2) of the Companies Act, 2016. They are the Associate member of Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The responsibilities of the Company Secretary have been specified in the Board Charter.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving statutory and regulatory requirements through continuous training.</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>The annual meeting calendar is prepared and circulated to the Board in advanced. The meeting calendar include scheduled dates for Board, Board Committee and Annual General meetings, as well as the closed periods for dealings in securities by the Board based on the targeted dates of announcements of the Group's quarterly results.</p> <p>Notice of Board meetings are sent to the Board and the Management via email at least seven (7) working days prior to a meeting. The Company Secretaries ensure the meeting papers are uploaded to a file sharing system and/or by email as soon as practicable upon receipt the meeting papers from the Management, internal and external auditors.</p> <p>The deliberations and decisions at Board and Board Committee meetings are recorded in the minutes, including matters where Directors abstained from voting and deliberation.</p> <p>The draft minutes would be sent to the Management, Board and Board Committee members for review and comments, and the Minutes would be confirmed and signed by the respective Chairmen at the next Board and Board Committee Meetings. The signed minutes are properly filed in the Minutes Books of the Company.</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 Board has established a Board Charter as a key point of reference that clearly defines the roles and responsibilities of the Board. The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.</p> <p>The Board Charter was reviewed by the Board on 18 May 2018 for consistency with the Malaysian Code of Corporate Governance (MCCG) and Companies Act, 2016.</p> <p>The Board Charter is available for reference at the Company's website <a href="http://www.omesti.com">www.omesti.com</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

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>To sustain good corporate governance, the Board has formulated and adopted a code of ethics and conduct symbiotically with the Corporate Values of the Company of Integrity, Learning, Adaptability and Teamwork.</p> <p>By living the Corporate Values of the Company through the Code of Ethics and Conduct (CEC), the Company creates a culture in which people act as a team, working together toward common goals of Omesti. The CEC is applicable to all Directors and employees (including full time, probationary, contract, part time and temporary staff) of the Group.</p> <p>The CEC was reviewed by the Board on 18 May 2018 and is available for reference at the Company's website <a href="http://www.omesti.com">www.omesti.com</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

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>In line with good corporate governance practices and the Whistleblower Protection Act 2010, the Whistleblowing Policy was established by the Group to encourage its employees and stakeholders to report any wrongdoing on the part of employees, management, Directors and vendor in particular with respect of their obligation to the Group's interest.</p> <p>The Whistleblowing Policy was reviewed by the Board on 18 May 2018 and is available for reference at the Company's website <a href="http://www.omesti.com/policy/">www.omesti.com/policy/</a>. It provides contact details of Audit and Risk Management Committee Chairman as the avenue for stakeholders to raise their concern.</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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board of Omesti comprises eight (8) members:</p> <ul style="list-style-type: none"> <li>• 4 Independent Non-Executive Directors (INEDs)</li> <li>• 2 Non-Independent Non-Executive Directors</li> <li>• 2 Executive Directors</li> </ul> <p>The four (4) INEDs out of the total number of the Board members made up the Board to comprise at least half Independent Directors.</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 4.2

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>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	None of the Independent Directors' tenure has exceeded a cumulative term of nine (9) years, except for Hj. Ahmad Bin Khalid (Hj. Ahmad). Omesti had via its 17 <sup>th</sup> Annual General Meeting (AGM) obtained the shareholders' approval to re-appoint Hj. Ahmad as INED. Nevertheless, Hj. Ahmad has resigned on 2 January 2018 as INED.  Saved as mentioned above, none of the Independent Directors of Omesti is serving beyond 9 years during the financial year ended 31 March 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC established by the Board is responsible for screening, evaluating and recommending suitable candidates to the Board, for appointment as Directors as well as filling the vacant seats of the Board Committees.</p> <p>In evaluating the suitability of candidates, the NC considers the following factors before recommending to the Board for appointment:</p> <ul style="list-style-type: none"><li>• skills, knowledge, expertise and experience;</li><li>• time commitment to effectively discharge his/her role as a director;</li><li>• character, integrity and competence; and</li><li>• in the case of candidates for the position of INEDs, the NC shall also evaluate the candidates' ability to discharge such responsibilities / functions as are expected from INEDs.</li></ul> <p>The NC has a formal assessment mechanism to assess the effectiveness of the Board as a whole and the contribution of each individual director. The effectiveness of the Board is assessed in the areas of the Board's responsibilities and composition, contribution and performance, administration and conduct, interaction and communication with Management and Board engagement. The effectiveness of the Board Committees is assessed in terms of structure and processes, accountabilities and responsibilities, as well as the effectiveness of the Chairmen of the respective Board Committees.</p> <p>During the financial year ended 31 March 2018, the following Directors were appointed as the Independent Non-Executive Directors of Omesti on 2 January 2018:</p> <p>i) Mr Tan Wee Hoong; and ii) Ms Wan Mai Gan. (the Appointments)</p> <p>The NC had reviewed the profiles of both Mr Tan Wee Hoong and Ms Wan Mai Gan and evaluated their suitability and ability to contribute to the Board as a whole. The Appointments were then recommended to the Board for approval.</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 4.5

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>The Board acknowledges the need for gender diversity for good governance practice and to enhance the efficient functioning of the Board. The Board believes the appointment of new members is guided by the skills, experience, competency and knowledge of the individual candidate and it shall review any potential candidate wherever reasonably possible. In line with this, a Board Diversity Policy has been adopted by the Company. Gender quota and target will be considered when vacancies arise and suitable candidates are identified.</p> <p>The Board endeavours to appoint additional women Directors participating on the Board at all times, and also ensuring diversity in its workforce in terms of experience, qualification, ethnicity and age.</p> <p>Currently, the Board comprises two (2) women Directors, namely Ms Mah Xian-Zhen and Ms Wan Mai Gan, representing 25% of the total Board members.</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 4.6

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>	:	<p>In identifying new Board members, the Board seeks recommendations for candidates from existing board members, Management and major shareholder.</p> <p>During the financial year ended 31 March 2018, the following Directors were appointed as the Independent Non-Executive Directors of Omesti on 2 January 2018:</p> <p>iii) Mr Tan Wee Hoong; and iv) Ms Wan Mai Gan. (the Appointments)</p> <p>The Appointments were proposed by an Executive Director, the NC then ensures that the recommended candidates are suitable and of sufficient calibre before recommending their appointment to the Board.</p> <p>The NC has yet to utilise the independent sources to identify suitable qualified candidates.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</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>	:	The NC and Board would consider both external and independent sources to identify suitable candidates.
<b>Timeframe</b>	:	Within 3 years

### 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>	:	<p>The NC was chaired by Hj. Ahmad, an INED of Omesti. In consequential of his resignation as the INED, Hj. Ahmad has also resigned as Chairman of NC with effect from 2 January 2018.</p> <p>Subsequently, Ms Wan Mai Gan, an INED of Omesti was appointed as the Chairman of NC on 28 March 2018.</p> <p>The Terms of Reference of the NC was updated on 5 July 2018 to specify that the NC shall be chaired by an Independent Director or a Senior Independent Director in accordance with the new MCCG.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 5.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Based on the annual review carried out through the Directors/Key Officers Evaluation Form, Board and Board Committee Evaluation Form, Board Skills Matrix Form, ARMC Evaluation Questionnaire, ARMC Self and Peer Evaluation Form and Independent Directors Self-Assessment Checklist undertaken internally with the assistance of the Company Secretary, the NC is satisfied that:</p> <ul style="list-style-type: none"> <li>• the Board Committees have carried out their functions in accordance with their respective terms of reference and overall, the members of the committees have attended to their responsibilities effectively</li> <li>• the size and composition of the Board was optimum with a good balance of Executive Directors and Independent Non-Executive Directors</li> <li>• the current Board has the right mix of skills and experience which are relevant for the Board to carry out its responsibilities in an effective and competent manner as well as independently and objectively in the interest of the investors and shareholders of the Company</li> <li>• the Directors understand their roles, powers, duties and responsibilities and the activities carried out by the Company</li> <li>• the Independent Directors are independent</li> </ul> <p>The results and recommendations from the evaluation of the Board and Board Committees were reported to the Board for full consideration and action. The Board noted and satisfied with the outcome of evaluation.</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

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>	<p>The Board has established a Director Remuneration Policy as the Company desires to continue to focus on the ongoing improvement and full alignment of the Policy with good governance recommendations generally recognised in the markets in the area of director remuneration, adjusting them to the specific needs and circumstances of the Company.</p> <p>The objective of the Director Remuneration Policy is to attract and retain Directors of the calibre needed to lead the Group successfully.</p> <p>The remuneration of the Executive Directors is structured so as to link rewards to corporate and individual performance. In the case of the Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.</p> <p>The RC reviews and recommends to the Board the remuneration package of each of the Executive Directors. It is the responsibility of the entire Board to approve the remuneration of these Directors. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. No Directors shall take part in decisions involving his/her own remuneration.</p> <p>When receiving and determining the structure of Executive Directors' remuneration, the RC takes into account the following criteria:</p> <ul style="list-style-type: none"><li>• Individual performance</li><li>• Skills and knowledge</li><li>• Involvement in the Group's affairs</li><li>• Achievement of Group's internal targets</li><li>• Performance and profitability of the Group</li></ul>

	<p>The RC also considers other factors such as time commitment, duties and responsibilities.</p> <p>The Directors' fee and benefits (comprising mainly meetings attendance allowance) have been reviewed by the RC and the Board as a whole recommended the Directors' fee and benefits for the Non-Executive Directors with the individual directors concerned abstaining from deliberation for approval of the shareholders at the forthcoming AGM.</p> <p>The Director Remuneration Policy was reviewed by the NC and approved by the Board on 18 May 2018 for consistency with the MCCG and Companies Act, 2016, which is available for reference at the Company's website <a href="http://www.omesti.com">www.omesti.com</a>.</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

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>	:	The RC consists entirely Non-Executive Directors with a majority of them being Independent Directors.  The duties and responsibilities of the RC have been clearly specified in the Terms of Reference of RC, which is available on the Company's website at <a href="http://www.omesti.com/policy/">www.omesti.com/policy/</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on named basis for the remuneration of individual directors, including fees, salary, bonus, benefits in-kind and other emoluments is included in the Corporate Governance Overview Statement on page 30 in Annual Report 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the view that the disclosure on a named basis for the remuneration of top five senior management personnel is not in the best interest of the Group given the competitive human resource environment for personnel with requisite knowledge, expertise and experience in the Company's business activities, where poaching by recruitment service provider has become common now.</p> <p>The Board believes that the non-disclosure of remuneration of top five senior management personnel who are not Directors of the Company will not prejudice the interest of its shareholders.</p> <p>The profiles of Key Senior Management are set out on pages 18-19 in the Annual Report 2018.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The positions of the Chairman of the Board and ARMC are held by separate individuals. The Chairman of the ARMC is Mr Tai Keat Chai, an Independent Non-Executive Director. He 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>None of the members of ARMC were former key audit partners of any external audit firms within the cooling off period of two (2) years before appointed as a member of ARMC.</p> <p>The Board would review the Terms of Reference of ARMC to include the requirement of a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the ARMC to be in line with the Malaysian Code on Corporate Governance.</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>Overseeing external audit arrangements is the responsibility of ARMC of Omesti.</p> <p>An External Auditor Independence Policy (EAI Policy) has been adopted by the ARMC to ensure that audit independence is maintained, both in fact and appearance, such that Omesti's external financial reporting is viewed as being highly reliable and credible. The EAI Policy was last updated on 18 May 2018, which is available on the Company's website at <a href="http://www.omesti.com">www.omesti.com</a>.</p> <p>In May 2017, the ARMC:</p> <ul style="list-style-type: none"><li>(i) reviewed and assessed the performance and independence of the External Auditors, Messrs BDO (BDO) in accordance with the Policy of the Company;</li><li>(ii) noted the non-audit services provided by BDO; and</li><li>(iii) considered its suitability for re-appointment as external auditors of the Omesti Group for the next financial year end.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b> :	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>	:	The members of ARMC possesses a wide range of necessary skills in relevant accounting and expertise in financial service industry to discharge their duties and provide an effective level of challenge to the Management. All members of the ARMC have undertaken continuous professional developments to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as detailed in the Directors' Training section of the Corporate Governance Overview Statement of Annual Report 2018.	
<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 9.1**

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>An Enterprise-Wide Risk Management (ERM) framework was developed by the former Internal Auditors, Ernst &amp; Young Advisory Services Sdn Bhd (EY) in year 2014 and currently, the Management has engaged Crowe Horwath Governance Sdn Bhd (CH) to enhance and re-assess the risks for the entire Group.</p> <p>As for the Internal Control framework, the Management has put the necessary framework in place and the outsourced Internal Auditors would provide the necessary assurance on the adequacy and effectiveness of the said framework.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	ERM – There is on-going assessment and enhancement on the risk management framework. CH would implement / monitor the action plan.  Internal Control Framework – The Company has outsourced its Internal Audit function to CH and CH reports directly to the ARMC on a quarterly basis on the adequacy and effectiveness of the internal control framework.	
<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 Company has outsourced the internal audit function to an independent professional firm of auditors, CH. The outsourced Internal Auditors perform their functions with impartiality, proficiency and due professional care.</p> <p>The internal audit reports and follow-up reports are presented to the ARMC for review and deliberation. The ARMC is briefed on the progress made in respect of each recommendation, and of each corrective measure taken as recommended by the audit findings. The Internal Auditors report directly to the ARMC to ensure independence.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 10.2**

The board should disclose–

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>CH confirmed that CH is free from any relationships or conflict of interest that could impact objectivity and independence.</p> <p>At least 3 internal auditors are assigned to the audit.</p> <p>Amos Law, Certified Internal Auditor, Certification in Risk Management Assurance, Chartered Member of the Institute of Internal Auditors Malaysia, BA Accountancy &amp; Finance, Heriot-Watt University.</p> <p>The internal audit function is guided by the International Professional Practices Framework, issued by IIA Inc.</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 11.1

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 communication and proper dissemination of information to its shareholders and investors. Through extensive disclosures of appropriate and relevant information, the Company aims to effectively provide shareholders and investors with information to fulfil transparency and accountability. In this respect, the Company keeps shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.</p> <p>The AGM is the main forum of dialogue with shareholders as it provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance.</p> <p>Shareholders and members of the public may also obtain information on the Group's operations and activities, as well as press releases, announcements and financial information, etc. from the corporate website <a href="http://www.omesti.com">www.omesti.com</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

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>	:	As Omesti Berhad is not under the "Large Companies" category, the Company has not adopted integrated reporting for the financial year ended 31 March 2018.  The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

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 last 17<sup>th</sup> AGM was held on 15 September 2017 and the Notice convening the 17<sup>th</sup> AGM was sent to the shareholders on 31 July 2017 which was at least 28 days ahead of the 17<sup>th</sup> AGM.</p> <p>The forthcoming 18<sup>th</sup> AGM of the Company will be convened on 18 September 2018. The Notice of 18<sup>th</sup> AGM will be sent to the shareholders on 31 July 2018 which is more than 28 days prior to 18<sup>th</sup> AGM.</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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>At the 17<sup>th</sup> AGM of the Company held on 15 September 2017, all the Directors (except Dato' Sri Thong Kok Khee) were presents in person to engage with the shareholders.</p> <p>During the AGM, the Chairman also invited shareholders to raise any questions pertaining to the Company's financial statements and other agenda items, before putting the resolutions to vote.</p> <p>The Directors including Chairmen of the Board Committees and senior management presence at the AGM had responded to the queries raised by the shareholders. External Auditors, Messrs BDO was also present at the AGM to answer shareholders' queries, if any.</p>	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

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 is of the view that the above practice is not cost effective nor practical for the Company to leverage on technology to facilitate shareholders to vote in absentia or having remote shareholders' participation in general meetings.</p> <p>2017 AGM was held at The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur which is a familiar venue to the shareholders of the Company in the past.</p> <p>In the event the shareholders are not able to attend the forthcoming 18<sup>th</sup> AGM, the shareholders are allowed to appoint a proxy or proxies to attend on their behalf.</p> <p>Poll voting was adopted at the AGM held in 2017 for 11 resolutions proposed, where votes were cast by way of voting slips. Sahre Registrar of the Company, Bina Management (M) Sdn Bhd was appointed to act as the Poll Administrator and Quantegic Services Sdn Bhd was appointed to act as the Independent Scrutineer to verify the results of the poll voting.</p> <p>The vChairman announced the poll voting results after the same has been verified by the appointed Independent Scrutineer. Poll results are announced Bursa Malaysia Securities Berhad on the same day.</p>
Please provide an alternative practice and explain how the alternative practice meets the intended outcome.		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.



**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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