

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7237  
**COMPANY NAME** : Power Root Berhad  
**FINANCIAL YEAR** : March 31, 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 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><b>1. Establishing and reviewing the vision and the strategic direction of the Group</b></p> <p>The vision of the Group forms the foundation of the business strategies of the Group. The Board of Directors of the Company ("the Board") put in place a strategy planning and review process, whereby the Executive Directors present to the Board the recommended business strategies during the financial year for the Board's deliberation and decision with any concern on the strategies and actions proposed are discussed during the Board's meetings to ensure the optimal outcome.</p> <p>The strategy planning and review process include the factory operations, sales and marketing strategies and strategic direction on investments proposed by the Executive Directors to the Board for deliberation and decision. This is to ensure that such business strategies are adequately planned and viable for execution and such strategies are in line with the risk tolerance of the Board and take into consideration of sustainable business practices.</p> <p>The strategy planning and review process are also supported by updates from the Management.</p> <p><b>2. Overseeing the conduct of the business of the Group and to evaluate whether the business is being properly managed</b></p> <p>On a quarterly basis, the financial results, including comparison of actual financial performance of key business units against budgeted financial performance, are presented by the Management to the Audit Committee and the Board for review. In addition, key business indicators, such as, key customers' (local and export) ageing analysis, inventory ageing analysis and</p>

advertising & promotional expenses, are tabled to the Audit Committee for their review and subsequently reported to the Board.

Upon identification of key business and financial issues by the Management and the Board members, such issues are deliberated by the Board to ensure that the issues in question are properly managed and adequately addressed.

### **3. Tone from the Top**

The Board acknowledge that, as one of its fiduciary duty to the shareholders, high standards of integrity and accountability are required in the conduct of the Group's business and be embedded across the Group.

To set the tone from the Top, the Board had established the Company's *Code of Conduct* to govern the ethical standards and good conducts expected of the directors, employees and stakeholders and to act as the foundation for ethical rules within the Group. At operational level, integrity and ethical value expected from the employees are incorporated in the *Ethical Framework* by the Management based on the value promoted in the Company's *Code of Conduct*. In order to promote the integrity and ethical value, formal *Whistle-blowing Policy* is established by the Board to create an environment where affected stakeholders can whistle blow on improper behaviour without being victimised for doing so.

Please refer to Practice 3.1 and 3.2 for detailed disclosure on *Code of Conduct* and *Whistle-blowing Policy* respectively.

### **4. Identifying principal risks faced by the Group and ensuring the implementation of appropriate controls and systems to monitor and manage these risks**

The Board had put in place a formal *Risk Management Framework* for the structured management of the business risks faced by the Group. Based on the *Risk Management Framework* established, the Board are kept inform on the emergence and changes of the key risks faced by the Group and the steps taken to manage these risks by the Management at predetermined intervals or as the need arises. Risk assessment by the Risk Management Committee and operational management, at gross and residual level, are guided by the likelihood rating and impact rating established by the Board based on the risk tolerance acceptable by the Board.

Further details on the risk management process are disclosed in the Statement on Risk Management and Internal Control in the Annual Report.

**5. Succession planning and performance appraisal of the Board and the Senior Management**

The Board is committed that the succession planning of the Board and the Senior Management is put in place. The Board had put in place a formal *Succession Planning Policy* to govern the identification and development of talent pools and to align resources with business strategies and objectives while plan of action is in place to ensure the least possible disruption to the key positions' departure. The Board is responsible for the succession planning of the Managing Director while the Managing Director is responsible for the succession planning of key positions within the Group with the assistance from the senior management team and key employees.

In line with the *Succession Planning Policy*, competent and suitably qualified second-in-line staff are identified by the Managing Director with the assistance from Executive Directors for the key positions within the Group. The development of the second-in-line staff is managed through on-the-job training and guidance as well as external trainings to close the competency gap required. The Senior Management of the Group is subject to semi-annual performance appraisal based on the formal human resource policy established.

On an annual basis, the Nominating Committee assesses the performance of the individual directors, including the Group Financial Controller and identifies of training requirements of the directors to ensure all directors possess essential skills and knowledge to discharge their responsibilities as directors of the Group. In addition, the Remuneration Committee meets on an annual basis to review the remuneration package and fees of the Executive Directors to ensure that they are commensurate with the performance and contribution of the Executive Directors. The results of the review by both the Nominating and Remuneration Committee are tabled to the Board for deliberation and approval.

Further details on the role and responsibilities of the Nominating and Remuneration Committee are disclosed in Corporate Governance Overview Statement.

**6. Overseeing the development and implementation of a shareholders' communication policy for the Company**

The Board ensures that the stakeholders are kept inform on material events through the announcement made through Bursa Malaysia Securities Berhad. Formal *Corporate Disclosure Policy* is established and adopted by the Board and the Management to ensure communication are made on time, factual, accurate and complete.

The principles adopted by the Board on corporate disclosure comprise of transparency and accountability, compliance with relevant laws and regulations, confidential and timely disclosure as well as fair and equitable access to information. Proper governance structure and processes are established within the *Corporate Disclosure Policy* to guide the proper disclosure of material information with confidentiality preservation within the requirements of the Board.

**7. Reviewing the adequacy and the integrity of internal control systems and management information systems (including the integrity of the financial and non-financial reporting), including systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines**

The Internal Audit Function of the Group is made up of an in-house internal audit function with the primary responsibility to review the system of internal control (including the integrity of the financial and non-financial reporting, if applicable) within the Group and an outsourced internal audit function with the primary responsibility to review the system of internal control in relation to distributorship management system implemented by the Group. Such reviews of system of internal control are carried out based on approved internal audit plan with findings reported to the Audit Committee. The integrity of the financial reporting is also subjected to audits performed by the External Auditors during their audits on the financial statements of the Company and its subsidiaries. During quarterly Audit Committee meetings, draft quarterly financial reports are reviewed by the Audit Committee with the Management focusing on accounting policies used, analysis of major changes in components, major judgmental and risk areas, significant adjustments, the going concern assumption, compliance with accounting standards, compliance with Main Market Listing Requirements (“MMLR”) and other legal requirements. For the annual audited financial statements, the Audit Committee reviews the annual statutory accounts, the Audit Report, issues and reservations arising from audits, with the External Auditors and the Management.

Further detail on the Internal Audit Function is disclosed in the Statement on Risk Management and Internal Control and works performed by the Audit Committee on the financial reporting in Audit Committee Report in the Annual Report.

**8. Reviewing Corporate Governance Compliance**

The Audit Committee reviewed the draft Corporate Governance Statement and assessed the current standings of the corporate governance practices. The Board formulate action plans from time to time to enhance and promote good and recommended corporate governance practice.

	<p><b>9. Sustainability Management</b></p> <p>The Board had established a formal <i>Sustainability Framework</i>, detailing the governance structure and process to be employed by the Management for the identification, prioritisation, monitoring and reporting of material sustainability matters and stakeholder groups pursuant to MMLR in compliance with Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad, in material aspects.</p> <p>As at the date of this report, the Management had identified the internal and external stakeholders in the context of the Group with such stakeholders prioritised based on criteria and rating system approved by the Board. In addition, the Management had identified sustainability matters for which they were assessed on their significance from the Group perspective and their degree of significance to influence the assessment and decision by internal and external stakeholders based on agreed upon criteria and rating system approved by the Board. The results of the assessments were presented to the Audit Committee for review and was subsequently reported to the Board.</p> <p>Please refer to the Sustainability Statement on the management of material economic, environmental and social risks and opportunities.</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

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>As provided in the <i>Board Charter</i>, the Chairmen are responsible for the governance, orderly conduct and effectiveness of the Board. In addition, the Chairmen represent the Board at general meetings and ensures an effective two-way communication with the shareholders. The Chairmen act as facilitator at the meetings of the Board to ensure that no board member dominates the discussion, and that appropriate discussion takes place and relevant opinion among Board members are forthcoming. The Chairmen of the Board shall be independent non-executive director.</p> <p>In particular, the Chairmen are responsible:</p> <ul style="list-style-type: none"><li>(a) To provide governance in matters requiring corporate justice and integrity;</li><li>(b) To oversee the Board in the effective discharge of its responsibilities;</li><li>(c) To ensure the efficient organisation and conduct of the Board's meetings;</li><li>(d) To ensure that quality information is delivered to Board members on a timely basis to facilitate decision-making;</li><li>(e) To facilitate the effective contribution of all Directors at Board meetings;</li><li>(f) To promote constructive and respectful relations within the Board, and between the Board and Management; and</li><li>(g) To promote effective communication among the Board members and with shareholders and relevant stakeholders.</li></ul> <p>Further details on the roles, and responsibilities of the Chairmen of the Board is stated in the Paragraph 9 of the <i>Board Charter</i>, accessible through the "Profile - Investor Relations" section of the Company's website at <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</a>.</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>	:	<p>The position of the Chairmen and the Managing Director is separated and there is a clear division of responsibility between the Chairmen who are Independent Non-Executive Directors and the Managing Director who is an Executive Director.</p> <p>The Chairmen are responsible for the governance, orderly conduct and effectiveness of the Board while the Managing Director is the head of the Management and is responsible for managing the Group's business operations and implementation of policies and strategies approved by the Board.</p> <p>The following positions are held by the following different individuals:</p> <ul style="list-style-type: none"> <li>-</li> <li>• Independent Non-Executive Chairman: Dato' Afifuddin bin Abdul Kadir</li> <li>• Independent Non-Executive Co-Chairman: Y.A.D. Tengku Dato' Setia Putra Alhaj bin Tengku Azman Shah Alhaj</li> <li>• Managing Director: Wong Tak Keong</li> </ul> <p>The distinct and clear segregation of duties of roles and responsibilities of the Chairmen and Managing Director are established in Paragraph 9 of the <i>Board Charter</i>, which is accessible through the "Profile - Investor Relations" section of the Company's website at <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</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

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 Board is assisted by professional qualified and competent Company Secretary (who is a Licensed Company Secretary) in the discharge of its functions with her attendance on all Board and Board's Committee meetings and to:</p> <ul style="list-style-type: none"><li>• manage all Board and committee meetings and facilitate board communication;</li><li>• advise the Board on its roles and responsibilities;</li><li>• advise the Board on corporate disclosures and compliance with company, securities and listing laws;</li><li>• ensure proper upkeep of statutory registers and records;</li><li>• manage shareholder meetings; and</li><li>• keep abreast with corporate governance development and to assist the Board in applying them.</li></ul> <p>The Company Secretary also ensures that there is good information flow within the Board and between the Board, Board Committees and Senior Management. The Company Secretary is also entrusted to record the Board's deliberations, in terms of issues discussed, and the conclusions and the minutes of the previous Board meeting are distributed to the Directors prior to the Board's meeting for their perusal before confirmation of the minutes at the commencement of the following Board's meeting.</p> <p>During general meetings, the Company Secretary provides guidance to and coordinates with the Board and other professionals to ensure that the proceedings of the upcoming general meeting is held in compliance with relevant laws, regulations and guidelines. The Company Secretary also acts as the reference point by the Board to provide guidance on the compliance of the relevant corporate governance rules and guidelines and to provide professional advice on the level of corporate governance compliance within the Group.</p> <p>All directors have direct access to the advice and services of the Company Secretary in discharging their duties effectively. The prerogative to appoint and remove Company Secretary lies with the Board.</p> <p>The Company Secretary attended briefings and updates provided by</p>

	<p>relevant regulatory bodies and/ or professional firms in order to keep abreast with the latest development in the relevant regulatory requirements, codes or guidance and legislations in order to ensure timely compliance with relevant laws and regulations.</p> <p>Further details on the roles of the Company Secretary is stated in Paragraph 10 of the <i>Board Charter</i>, accessible through the “Profile - Investor Relations” section of the Company’s website at <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</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

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>Prior to each Board meeting, all Board members are furnished with the Board Paper, made up of the minutes of the previous Board and Board Committees' meeting, operation and financial performance report, professionals' report, financial and non-financial reports, proposed changes to the <i>Board Charter</i> and new board policy, results of the performance appraisals and other relevant documents normally not later than seven (7) days before the meeting, to enable the members of the Board sufficient time to obtain comprehensive understanding of the issues to be deliberated upon in order to arrive at an informed decision. In addition to quantitative information, the directors are also provided with key performance indicators and updates on other areas, such as, market developments, industry trend, business strategy and risk management.</p> <p>The Company Secretary records the Board's and Board Committees' deliberations, on issues discussed and the conclusions arrived, on the minutes of meetings. The draft copy of the minutes is circulated by the Company Secretary in a timely manner to relevant Board members for review and the minutes are tabled for confirmation as correct records of the deliberations and decisions made during subsequent meeting and formally acknowledged by the Chairman of the Board and Board Committee, respectively.</p> <p>The Board have unrestricted access to all information pertaining to the Group on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities.</p> <p>Besides direct access to management staff by the Board, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and in appropriate circumstances, at the Company's expense.</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

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 <i>Board Charter</i> was last reviewed and approved by the Board on 25 February 2019 and changes were made to bring the <i>Board Charter</i> in line with the revamped Companies Act 2016 as well as changes in MMLR and Malaysian Code on Corporate Governance. The Board Charter is subject to review and update from time to time to ensure that they remain consistent with the Board's objective, current law and practices. The Board Charter is available on the Company's website at the "Profile - Investor Relations" section of <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</a>.</p> <p>The <i>Board Charter</i> sets out the purpose, the Board's strategic intent, authorities and terms of reference of the Board and Board Committees.</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>The <i>Code of Conduct</i> ("The Code") of the Company was formally approved for adoption on 27 January 2014 and last revised on 26 February 2018 and is made available at the "Profile - Investor Relations" section of <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</a>.</p> <p>The Code established by the Board sets the standards of the business ethic and conduct of the Group applicable to all employees, customers and vendors of the Group to ensure that the working environment and condition are safe, workers are treated with respect and dignity and business operation are conducted ethically.</p> <p>The fundamental in adopting the Code is to ensure that all business activities are in compliance with the laws, rules and regulations of the country in which it operate. If a law of the country conflicts with a rule or policy set out in this Code, the affected personnel should comply with the law.</p> <p>The Code sets out the value uphold by the Group to maintain highest standards of integrity, transparency and accountability in the conduct of the Group's business and operations to ensure business sustainability and to conduct business in an ethical, responsible and transparent manner.</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>The <i>Whistle-blowing Policy</i> was first adopted by the Company on 27 January 2014 and last revised on 23 February 2017. The Whistle-blowing Policy is subjected to review by the Audit Committee and the Board from time to time.</p> <p>The Board encourages employees and other interested parties to disclose concerns about illegal, unethical or improper business conduct within the Company. The Whistle-blowing Policy provides and facilitates a mechanism for any employee and other related parties to report any concern about possible improprieties in matters of financial reporting, compliance and other malpractices, in confidence, at the earliest opportunity, and in an appropriate manner. The identity of the whistle-blower will be kept confidential and such whistle-blower will also be protected against reprisal for disclosing any improper conduct committed or to be committed.</p> <p>The <i>Whistle-blowing Policy</i> is administered by the Group's Internal Audit Department and overseen by the Audit Committee. The email address of the Senior Internal Audit Manager (hmtong@powerroot.com.my) and Audit Committee Chairman (whistleblower@powerroot.com.my) is provided for reporting malpractices to independent party.</p> <p>The Whistle-blowing Policy is downloadable at the "Profile - Investor Relations" section of <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</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

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>	:	<p>As at the date of this Report, the Board comprises of nine (9) members of which five (5) members are Executive Director and four (4) members are Independent Non-Executive Director. With the present composition of the Board, the Company complies with MMLR 15.02(1) which states that at least 2 directors or 1/3 of the Board of a listed issuer, whichever is the higher, are independent Non-Executive director.</p> <p>The Board consists of qualified individuals with diverse experience, background and knowledge to enable them to discharge their duties and responsibilities effectively.</p> <p>The Independent Non-Executive Directors are made up of individuals well-verse in the field of auditing, taxation, accounting and finance. The independence and objectivity of the Independent Non-Executive Directors were assessed by Nominating Committee prior to their appointment as Independent Non-Executive Director based on the <i>Policy on Independence Assessment of Independent Directors</i> and the <i>Policy and Procedure on Nomination and Selection of Director</i> and through criteria established in the Independent Directors' Self-Assessment Form and reporting of the same to the Board for consideration and decision. When assessing independence, the Nominating Committee focuses beyond the candidate's background, economic and family relationships and consider whether such candidate can bring independent and objective judgment to board deliberations. The <i>Policy on Independence Assessment of Independent Directors</i> and the <i>Policy and Procedure on Nomination and Selection of Director</i> were last updated and approved by the Board on 25 February 2019 to take into account changes to the Companies Act 2016 and to bring in line with MCCG.</p> <p>Furthermore, all Independent Non-Executive Directors are required to submit an annual self-assessment via duly completed <i>Independent Directors' Self-Assessment Form</i> on his/her independence to the Nominating Committee for its review and reporting to the Board in order for the Board to assess and form an opinion on the</p>

	<p>independency of the Independent Non-Executive Directors based on prescribed criteria as recommended by the Corporate Governance Guide issued by Bursa Malaysia Berhad. On the other hand, the Audit Committee (made up of exclusively of Independent Non-Executive Directors) and its members are subjected to assessment by the Nominating Committee on annual basis to ensure that the Committee and its members have carried out their duties in accordance with the approved terms of reference.</p> <p>The Independent Non-Executive Directors had demonstrated their independence and objectivity during the Board and Board committees' proceedings whereby their genuine concerns were expressed during the meetings, and actions/transactions proposed or taken by the Management and the Board were subjected to the scrutiny and challenged by the Audit Committee and Independent Non-Executive Directors to assert their roles as independent element within the Board.</p> <p>Based on the annual Board's performance evaluation performed for the financial year under review, the independence assessment of Independent Non-Executive Directors was carried out through the review by the Nominating Committee of the duly completed <i>Independent Directors' Self-Assessment Form</i> submitted by Independent Non-Executive Directors and reported to the Board for the results of its review. The Board is of the opinion that all Independent Non-Executive Directors remains objective and independent in participating in the deliberations and decision making of the Board and Board Committees.</p> <p>The independent elements within the Board is reinforced by the fact that the Chairmen of the Board are Independent Non-Executive Directors (as required under the <i>Board Charter</i>) who are responsible for the governance and orderly conduct and effectiveness of the Board and position of the Chairmen and the Managing Director is separated. Furthermore, the Board had adopted Step-Up Practice 8.4 whereby the Audit Committee is made up exclusively of Independent Non-Executive Directors to enhance independence and objectivity within the Board.</p> <p>With the above, despite the departure from the Practice 4.1, the Board believes that the independent elements within the Board is uphold and the independence and objectivity are asserted during the deliberation and decision making at the Board and the Board Committees' meeting.</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

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 policy on Independent Non-Executive Directors as per the Board Charter and the <i>Policy on Independence Assessment of Independent Directors</i> (which was last updated and approved by the Board on 25 February 2019) require that the tenure of an independent non-executive director should not exceed a cumulative term of nine (9) years, and upon the completion of the nine (9) years, an Independent Non-Executive Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Non-Executive Director. Independent Non-Executive Directors who have served a cumulative term of nine (9) years or more may continue to serve the Company in that capacity, only if approved by the shareholders in a general meeting and independence assessment is conducted by the Nominating Committee based on the above procedure and criteria on such Independent Non-Executive Director to ensure that the independence of such Independent Non-Executive Director is preserved and is not deteriorated in any manner due to passage of time and the results of the assessment reported as such to the Board for deliberation and recommendation to the shareholders for approval. The Board must make a recommendation and provide strong justification to the shareholders in general meeting. In line with the promoted practice under MCGG, should the Board retain an independent non-executive director after the twelfth (12th) year, such director shall be subjected to a two-tier voting process in order to remain as Independent Non-Executive Director. The policy on the tenure of Independent Non-Executive Directors is stated in Paragraph 5 of the <i>Board Charter</i>.</p> <p>Amongst the independent Non-Executive Directors of the Company, Mr. Ong Kheng Swee has served on the Board for more than nine (9) years but less than twelve (12) years. As per the <i>Board Charter</i> and the <i>Policy on Independence Assessment of Independent Directors</i>, the Nominating Committee and the Board, based on the independence assessment conducted, are unanimous in its opinion that Mr. Ong's independence have not been compromised or impaired in any way</p>

	<p>and have met the definition of independence based on the independence guidelines set out in MMLR, notwithstanding his long tenure in office. The length of Mr. Ong service on the Board will not interfere with his independent judgement and he remains objective and independent in participating in the Board and Board Committees' deliberation and decision making. The Board therefore recommends that the approval of the shareholders be sought to retain Mr. Ong as an Independent Non-Executive Director at the forthcoming 13th Annual General Meeting.</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>Appointment of new Director to the Board or Board Committee is recommended to the Nominating Committee for consideration and approved by the Board in accordance to the <i>Policy and Procedures on Nomination and Selection of Directors</i> developed by Nominating Committee which was last updated and approved by the Board on 25 February 2019.</p> <p>As part of the appointment process specified in the <i>Policy and Procedures on Nomination and Selection of Directors</i>, the Nominating Committee shall identify and assess candidates to ensure that the new director appointed possesses:</p> <ul style="list-style-type: none"><li>• achievements in fast moving consumer goods industry, business venture, professional practices, education or public service;</li><li>• the requisite intelligence, education and experience to make a significant contribution to the Board and bring a range of knowledge, skills, diverse perspectives and backgrounds to its deliberations.</li><li>• knowledge, skills and experience to complement and strengthen the knowledge, skills and experience possessed by existing members of the Board to discharge its duties and responsibilities effectively and efficiently; and</li><li>• highest ethical standards, a strong sense of professionalism and dedication to serving the interests of the stakeholders.</li></ul> <p>The criteria as specified in the <i>Policy and Procedures on Nomination and Selection of Directors</i> includes:</p> <ul style="list-style-type: none"><li>• Leadership experience;</li><li>• Skilled and diverse background;</li><li>• Boardroom Diversity - in term of the knowledge, skills and experience as well as race and gender diversity;</li><li>• Integrity and professionalism; and</li><li>• Independence of Independent Non-Executive Director.</li></ul> <p>The nomination/recruitment process included in the <i>Policy and Procedures on Nomination and Selection of Directors</i>:</p> <ol style="list-style-type: none"><li>i. Identification of candidates by develop a pool of potential candidates for consideration;</li><li>ii. Evaluation on the suitability of candidates;</li><li>iii. Interview shortlisted candidates and background check;</li><li>iv. Final deliberation by Nominating Committee; and</li></ol>

	<p>v. Recommendation to Board.</p> <p>During the financial year ended 31 March 2019, there were no new appointment of director or senior management. On 5 July 2019, Y.A.D. Tengku Dato' Setia Putra Alhaj bin Tengku Azman Shah Alhaj was appointed as Independent and Non-Executive Co-Chairman of the Company.</p> <p>The terms of reference of the Nominating Committee is available at the "Profile - Investor Relations" section of <a href="http://www.powerroot.com/malaysia/profile_investor_relations">http://www.powerroot.com/malaysia/profile_investor_relations</a>.</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 4.5

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>	:	Choose an item.
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Appointment of new Director to the Board is guided by the <i>Policy and Procedures on Nomination and Selection of Directors</i> developed by Nominating Committee and approved by the Board.</p> <p>As per <i>Policy and Procedures on Nomination and Selection of Directors</i>, one of the criteria for the nomination and selection of the director calls for the race and gender diversity so that it can effectively discharge its responsibilities and duties as the Board as a whole. While it is no clear target of women representation at the Board and at the senior management established in the <i>Policy and Procedures on Nomination and Selection of Directors</i>, the Board through the Nominating Committee will consider the gender diversity as part of its future selection and will endeavour to appoint suitably qualified woman director.</p> <p>At present, there was no representation of women at the Board and at the Senior Management level within the Group nor clear target timeline established by the Board to have at least one female representative at the Board level and at the Senior Management level.</p> <p>Whilst the Board supports the gender diversity, the Board firmly believes in recruiting and retaining the right talent for every position, regardless of gender, and taking into account the requisite knowledge, skill sets, and experiences required.</p>
<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>	:	Based on the revised <i>Policy and Procedure on Nomination and Selection of Directors</i> approved by the Board, it is specified that the recommendation of the candidates for the appointment of directors to be from the Board members or existing shareholders or independent sources for filling of casual vacancy via the usage of the “Director Recommendation Form” submitted to the Nominating Committee. The recommendation is then approved by the Board.	
		The existing Non-Executive members of the Board of the Company were recommended by the Board member(s) and existing shareholder(s) of the 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**

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 Nominating Committee is chaired by an Independent Non-Executive Director, Dato' Afifuddin bin Abdul Kadir, who is also the Chairman of the Board.</p> <p>A copy of the <i>Terms of Reference of the Nominating Committee</i> is available for download at the "Profile – Investor Relations" section of <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</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 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>In line with the <i>Terms of Reference of the Nominating Committee</i> on the conduct of annual evaluation of the Board, Board Committee, the Audit Committee and the contribution of each individual Directors , the Board, through Nominating Committee and facilitated by the Company Secretary, has conducted the following formal evaluations through prescribed evaluation forms and criteria established for the financial year under review:</p> <ol style="list-style-type: none"><li>1. The Board's performance evaluation was conducted via <i>Board and Board Committee Evaluation Form</i> with recommended evaluation criteria per Corporate Governance Guide issued by Bursa Malaysia Berhad, which includes board mix and composition; quality of information and decision making; boardroom activities; and Board's relationship with the Management.</li><li>2. Individual directors' self-evaluation via <i>Directors'/Key Officers' Evaluation Form</i> based on recommended evaluation criteria per Corporate Governance Guide issued by Bursa Malaysia Berhad, whereby the criteria on fit and proper; contribution and performance; and calibre and personality are evaluated.</li><li>3. Self and peer review of the performance, knowledge, competency and skills of fellow directors was performed by individual directors via the <i>Board Skill Matrix Form</i> based on the recommended evaluation criteria per Corporate Governance Guide issued by Bursa Malaysia Berhad, whereby the composition; strategy and entrepreneurship; legal and regulatory requirements; corporate governance, risk management and internal controls; audit, accounting financial reporting and taxation; human capital; sales and marketing; information technology; and production and quality control were assessed.</li><li>4. The performance of the Audit Committee, Nominating Committee, Remuneration Committee and Options Committee were conducted via <i>Board and Board Committee Evaluation Form</i> based on the recommended evaluation criteria adopted from Corporate</li></ol>

Governance Guide issued by Bursa Malaysia Berhad, which includes committees' composition, contribution to the board's decision making, expertise, contribution of Chairman of Board Committees, appointment as well as timeliness and quality of communication and minutes.

5. The terms of office and performance of Audit Committee and its members were reviewed through self and peer evaluation by its members via *Audit Committee Member's Self and Peer Evaluation Form* (which concentrated on participation and contribution, skill and experience, risk management and understanding of the compliance requirements of the Company) and *Audit Committee Evaluation Form* (which concentrated on quality and composition; skills and competencies and meeting administration and conduct) based on the recommended evaluation criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad.
6. Review of the performance of the Group Financial Controller based on the results of his performance evaluation carried out by the Managing Director.
7. Self-assessment by Independent Non-Executive Directors on their independence and objectivity via *Independent Directors' Self-Assessment Form* based on the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad concentrating on independency and objectivity criteria.

The Company Secretary circulated to each director with the relevant evaluation forms/questionnaires in relation to the aforementioned assessments/reviews with sufficient time for the relevant directors to complete in advance of the meeting of the Nominating Committee and the Board in order for the Company Secretary to collate the evaluation results for the Nominating Committee to review and report to the Board.

With the above evaluations, the Board, through the Nominating Committee, reviewed and evaluated its required mix of skills and experience and other qualities, including core competencies which directors should bring to the Board, and the size and composition of the Board to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively.

The above evaluations were conducted without engaged the services of independent third party.

Based on the above evaluations, the Board was satisfied with the existing Board's composition and was of the opinion that all Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. Other than that, the Board was of the opinion that its present size and composition is optimal based on the

	<p>Group's operations and that it reflects a fair mix of financial, technical and business experiences that are important to the stewardship of the Group.</p> <p>In addition, based on the above evaluations performed on Audit Committee and its members, the Board, on the recommendation of the Nominating Committee, was of the opinion that the Audit Committee and its members had carried out their duties in accordance with their terms of reference.</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>	<p>Based on the <i>Terms of Reference of the Remuneration Committee</i> approved by the Board, the Remuneration Committee is tasked to develop a formal and transparent policy and procedure on remuneration of executive and non-executive directors and to review and recommend to the Board the remuneration package of the Executive Directors and the proposed fees of the Non-Executive Directors. Board Remuneration Policy was first established by the Board on 27 January 2014 and subsequently updated on 25 February 2019 and is administered by the Remuneration Committee.</p> <p>The Remuneration Committee is chaired by an Independent Non-Executive Director, Dato' Afifuddin bin Abdul Kadir, who is also the Chairman of the Board. Please refer to "Profile – Investor Relations" section of the Company's website at <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</a> for the Terms of Reference of the Remuneration Committee.</p> <p>The objectives of the <i>Board Remuneration Policy</i> are as follows:</p> <ul style="list-style-type: none"><li>• to attract and retain highly qualified members to enable the Company to provide a well-balanced and competitive directors compensation package.</li><li>• to ensure that the interests of Executive Directors are aligned with the business strategy, risk tolerance, values and medium to long-term interests of the Group and is consistent with the "pay-for-performance" principle.</li><li>• to promote strong teamwork culture among the Executive Directors.</li><li>• to instil transparency and openness in the review and approval of compensation package of the Board's members.</li></ul> <p>The remuneration package and fees of the directors shall be reviewed by Remuneration Committee at least once annually and to report the results of the review to the Board for deliberation and approval.</p>

	Please refer to <i>Board Remuneration Policy</i> published in the “Profile - Investor Relations” section of the Company’s website at <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</a> for the details of the Policy.	
<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 Remuneration Committee was formed to assist the Board in reviewing and recommending an appropriate remuneration package for Directors so as to attract, retain and motivate the Directors. The responsibility of the implementation of the <i>Board Remuneration Policy</i> is delegated by the Board to Remuneration Committee in relation to determination of the remuneration packages of Executive Directors and compensation for Non-Executive Directors. The Remuneration Committee is to review the proposed remuneration package and proposed fees of the Directors annually and the Board Remuneration Policy (and submit recommendation to the Board on the revision of the said policy) shall the need arises.</p> <p>The Remuneration Committee, led by an Independent Non-Executive Director, comprises of three (3) Independent Non-Executive Directors with the appointment of Encik Azahar bin Baharudin, the Independent Non-Executive Director, in replacement of the Executive Deputy Chairman as member of the Remuneration Committee on 27 November 2018.</p> <p>The Remuneration Committee operates under clearly defined Terms of Reference which states the duties and authorities of the Committee. The <i>Terms of Reference of Remuneration Committee</i> are published in the "Profile - Investor Relations" section of the Company's website at <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</a>.</p> <p>It is the ultimate responsibility of the entire Board to approve the remuneration of the Executive Directors. The Executive Director concerned would be abstained from discussion and decision on his own remuneration. The Board as a whole determines the remuneration package of Non-Executive Directors based on their</p>

	experience and level of responsibilities undertaken. All Non-Executive Directors are paid a fixed fee which is subjected to the approval of shareholders at general meeting and Directors who are shareholders will be abstained from voting at general meeting to approve their fees.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the opinion that the detailed disclosure on named basis of the remuneration of individual directors may jeopardize the personal security of the individual directors.</p> <p>As an alternative to this Practice, the remuneration of Directors during the financial year ended 31 March 2019, distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive band of RM50,000 are disclosed in the Corporate Governance Overview Statement.</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>	:	

**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>	:	The Board is of the opinion that the disclosure on named basis of the senior management’s remuneration component in bands of RM50,000 may jeopardize the personal security of the individual senior management staff and increase the risk of loss of key personnel as their remuneration packages are published publicly.	
<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>	:	<p>The Company complied with the requirement that the Chairman of the Audit Committee is not the Chairman of the Board.</p> <p>The Chairman of the Audit Committee is Mr. Ong Kheng Swee, an Independent Non-Executive Director while the Chairmen of the Board are Dato' Afifuddin bin Abdul Kadir and Y.A.D. Tengku Dato' Setia Putra Alhaj bin Tengku Azman Shah Alhaj.</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 8.2

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>	:	The formal <i>Policy and Procedure on Nomination and Selection of Director</i> approved by the Board includes the requirement of 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.  None of the existing members of the Audit Committee are former key audit partners 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

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>Based on the <i>Terms of Reference of the Audit Committee</i>, the Audit Committee have direct communication channels with External Auditors and have the responsibility to review with the External Auditors on audit plan, its scope and plan, the major audit findings and the management's response (including the status of previous audit recommendations) and to discuss any problems and reservations arising from the interim and final audits and any matters the External Auditors may wish to discuss. Furthermore, it is the responsibility of the Audit Committee to consider the appointment or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as External Auditors as well as to review the independence and objectivity of the External Auditors and their services.</p> <p>The engagement of the External Auditors is governed by the engagement letter with terms of engagement which includes, amongst others, the scope of coverage, the responsibilities of the External Auditors, confidentiality, independence and the proposed fees reviewed by the Audit Committee and its recommendation to the Board. On annual basis, prior to the commencement of the external audit engagement for the financial year, the External Auditors presented the Audit Plan to the Audit Committee whereby the engagement and reporting requirements, audit approach, significant events during the year, areas of audit emphasis, communication with management, engagement team, reporting timeline and deliverables and proposed audit fees were tabled to the Audit Committee for review.</p> <p>The assessment of the suitability of the external auditors is guided by the <i>Policy and Procedures to Assess the Suitability and Independence of and Provision of Non-Audit Services by External Auditors</i> established by the Audit Committee and included in the said policy are the steps to be taken on resignation and dismissal of external auditors, independent review and provision of non-audit services by the External Auditors. The criteria for assessment during the appointment and re-appointment of external auditors are qualifications, technical expertise and capability, resources, suitable size, independence, professionalism and responsiveness and overall conducts of the audit.</p>

On the other hand, the annual assessment of the suitability and performance of the External Auditors by the Audit Committee is guided by *External Auditor Performance and Independence Checklist* per Corporate Governance Guide issued by Bursa Malaysia Berhad. For the financial year under review, the Audit Committee conducted performance evaluation and independency assessment on External Auditors based on recommended evaluation criteria stated in *External Auditor Performance and Independence Checklist*, such as the calibre of the firm; quality processes and performance; knowledge and skill sets of audit team; independence and objectivity; audit scope and planning; audit fees; and audit communication.

In reviewing the independence of External Auditors, the *Policy and Procedures to Assess the Suitability and Independence of and Provision of Non-Audit Services by External Auditors* require the Audit Committee to obtain a formal written statement from the External Auditors confirming that they are and have been independent throughout the audit engagement within the meaning of relevant Acts in Malaysia. Such policy also requires the Audit Committee to ensure that the provision of non-audit services by External Auditors and their network firms/companies do not impair the objectivity and independence of the External Auditors.

Prior to the commencement of the audit and upon completion of the audit, the External Auditors confirm to the Audit Committee on their independence and objectivity and that they were not aware of any relationship between them and the Group that may reasonably impair their independence. Furthermore, based on the Audit Committee's review of the non-audit services provided by the External Auditors, the Audit Committee was satisfied that the non-audit services provided/to be provided did not compromise the independence and objectivity required as External Auditors of the Company.

The Audit Committee met twice privately with the external auditors prior to the commencement of the audit and at the conclusion of the audit without the presence of the Executive Directors and management to encourage two-way communication of the information and views and for the external auditors to freely express their opinion without undue pressure.

Apart from the above confirmation and communication, the Audit Committee assessed the independence and objectivity of the External Auditors via *External Auditor Performance and Independence Checklist* for the financial year ended 31 March 2019.

Having regarded the meetings (including the private sessions held) with the External Auditors and the assessment of the suitability and independence of the External Auditors performed, the Audit Committee and the Board are of the opinion that the External Auditors are suitable and are able to deliver the assurance engagement

	<p>professionally and diligently with sufficient levels of independence and objectivity under the relevant laws and regulations based on the assessment outcome on the performance, suitability and independence of the External Auditors by the Audit Committee and written confirmation on independence and objectivity and forthwith recommended to the Board for reappointment, subject to shareholders' approval during the Annual General Meeting, having considered the External Auditors had performed audit services to the Company satisfactorily in terms of quality and timeliness since it was appointed and had put in place an internal quality control processes to mitigate quality as well as independence and objectivity risks.</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**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	At present, the Audit Committee comprises solely of Independent Non-Executive Directors. The details of the members of the Audit Committee are disclosed in the Directors' Profile section of the Annual Report.

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All members of the Audit Committee are financially literate. The details of the qualifications and experiences of the members of the Audit Committee are disclosed in "Directors' Profile" section of the Annual Report.  During the financial year ended 31 March 2019, the members of Audit Committee have attended trainings conducted by regulatory bodies or professional organisations in order to keep themselves abreast of relevant developments. The details of the training attended is disclosed in the CG Overview Statement section of the Annual Report.
<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>The Board acknowledges its responsibility for maintaining a sound system of risk management and internal controls and internal audit mechanism to safeguard shareholders' investment and the Company's assets.</p> <p>The Board put in place formal and structured <i>Risk Management Framework</i> as the governance structure and processes for the risk management on enterprise wide in order to embed the risk management practice into all levels of the Group and to manage key business risks faced by the Group adequately and effectively as a second-line-of-defence. Internal Audit function is established to review the adequacy and effectiveness of the risk management and internal control system. The Board assumes the ultimate responsibility for risk management and internal controls and establishes the risk tolerance of the Group. The duties for the identification, evaluation and management of the key business risk are delegated to the Risk Management Committee, led by Executive Director while the Audit Committee is delegated with the oversight role.</p> <p>The details of the risk management and internal control system within the Group, including the process of identification, assessment and monitoring of key business risks is disclosed in the Statement on Risk Management and Internal Control of the 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**

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 key features of the risk management framework and internal control system and its adequacy and effectiveness are disclosed in the Statement on Risk Management and Internal Control of the Annual Report.	
<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>In ensuring the internal audit function is effective and able to function independently, the Audit Committee has direct communication channels with the Internal Audit Function under its Terms of Reference while the Internal Audit Function is reporting directly to the Audit Committee. The purpose and scope of works, accountability, independence, the responsibilities and the authority accorded to the Internal Audit Function is governed by the Internal Audit Charter (in-house internal audit function) and the engagement letter (outsourced internal audit function) reviewed by the Audit Committee and approved by the Board.</p> <p>In addition, the Terms of Reference of the Audit Committee provide that the oversight role of the Audit Committee includes the following:</p> <ul style="list-style-type: none"><li>• To review the adequacy of the scope and plan, functions and resources and the Internal Audit Function have the necessary authority to carry out its works;</li><li>• To review the adequacy of the internal audit plan and the results of the internal audit process and where necessary, action is taken on the recommendations of the Internal Audit Function;</li><li>• To review major audit findings and management's response with Internal Audit Function, including status of previous audit recommendations; and</li><li>• To provide assurance to the Board of Directors on the adequacy and integrity of the internal control system, including enterprise risk management and management information system of the Group and the Internal Audit Function's review of the said systems.</li></ul> <p>The oversight role of the Audit Committee and the activities taken by the Audit Committee on the Internal Audit Function during the financial year is disclosed in Audit Committee Report and Statement on Risk Management and Internal Control of the Annual Report.</p>
<b>Explanation for departure</b>	:	

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

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

## Intended Outcome

Companies 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 internal audit function of the Group is made up of an in-house internal audit function with the primary responsibility of internal control review of key internal processes within the Group and an outsourced internal audit function with the primary responsibility of internal control review of distributorship management system implemented by the Group. The Internal Audit Function reports directly to the Audit Committee with unrestricted access to the Group's employees and documents in the performance of their engagement. The details of the Internal Audit Function and oversight role of the Audit Committee on the functions are disclosed in the Statement on Risk Management and Internal Control of the Annual Report, including but not limited to, the details of the Internal Audit Charter and the engagement letter, review of the Internal Audit Function's resources and continuous professional developments.</p> <p>The internal audit personnel are free from any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit function.</p> <p>The in-house Senior Internal Audit Manager, Mr. Tong Hoe Ming, and the engagement director of the outsourced Internal Audit Function, Mr. Pang Nam Ming, are both Certified Internal Auditors accredited by the Institute of Internal Auditors Global. The in-house internal audit function is manned by one (1) Senior Internal Audit Manager, three (3) Internal Audit Executives and one (1) Fixed Asset and Internal Audit Executive.</p> <p>The Internal audit is carried out, in material aspects, in accordance to the International Professional Practices Framework established by the Institute of Internal Auditors Global.</p> <p>Please refer Statement on Risk Management and Internal Control of the Annual Report for detailed disclosure on both Internal Audit Function.</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>One of the core responsibilities of the Board as stated in the <i>Board Charter</i> is to approve the policies relating to investor relations and shareholder communication programmes of the Company.</p> <p>To ensure that communication of information to the public is timely, factual, accurate, and complete, the Board has adopted a <i>Corporate Disclosure Policy</i> which sets out the policies and procedures for the disclosure of material information of the Group. It also includes an internal control practice to ensure that confidential information is handled properly by relevant parties to avoid leakage and improper use of such information. This policy is applicable to all employees (including full time, probationary, contract and temporary staff) and Directors of the Group.</p> <p>In order to promote transparency and thoroughness in public dissemination of material information, the Company's website incorporates an "Investor Relations" section which provides all relevant information on the Company and is accessible by the public via <a href="http://www.powerroot.com/malaysia/profile_investor_relations.html">http://www.powerroot.com/malaysia/profile_investor_relations.html</a>. The "Investor Relations" section enhances the Investor Relations function by including all announcements made by the Company, annual reports on the Company and relevant board charter and policies as well as terms of reference of relevant board committees established and implemented by the Board for the public to access. Furthermore, contact details of the personnel in-charge of investor relations are provided in "Investor Relations" section of Company's website to which concern or request of any investor can be forwarded to.</p> <p>The core communication channel with the stakeholders employed by the Company is the announcements made through Bursa Securities and it is the Company's internal procedure that all material announcements to be made through Bursa Securities are to be approved by the Board, prior to its release. The Board is observing all disclosure requirements as laid down by MMLR and Capital Markets and Services Act 2007 so that all material events and information are</p>

	<p>disseminated publicly and transparently on timely basis to ensure fair and equitable access by all stakeholders without selective disclosure of such information to specific individuals or groups. The corporate disclosure by the Company is further enhanced by way of the Chairmen of the Board, Managing Director and Executive Director (Corporate Affairs) assuming the role of authorized speaker for the Company during press conferences and analyst briefings to ensure factual accurate and consistent disclosure.</p> <p>The Annual Report and quarterly interim financial report, the core communication tools with stakeholders, contains all the necessary disclosures in addition to facts and figures about the Group. In addition, efforts have been made to ensure that the reports are user friendly so that shareholders have a good understanding about the Group and its operations.</p> <p>The General Meetings are the principal forum for dialogue with shareholders. The shareholders are given the opportunity and are encouraged to participate in general meetings of the Company.</p> <p>Adequate time is given during General Meetings to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters. The External Auditors are also present at Annual General Meeting to provide professional and independent clarification on issues and concerns raised by the shareholders during the meeting.</p> <p>In addition to the above, the Company also welcomes requests for meetings and interviews with professionals from the investment community and is always willing to meet up with institutional investors when required, to elaborate or further clarify on information already disclosed to the other shareholders.</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

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>	:	The Company is not a "Large Company" as defined under the Malaysian Code on Corporate Governance 2017 as it is not company on the FTSE Bursa Malaysia Top 100 Index and its market capitalisation is less than RM2 billion as at the start of the Company's financial year.
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Notice of the 13th Annual General Meeting (“AGM”) was issued and dated on 31 July 2019 whilst the AGM will be held on 27 August 2019.	
		The Company complied with the 21 days of Notice for AGM in accordance with Section 316 of the Companies Act 2016 and Paragraph 7.15 of the MMLR.	
		The notice of the forthcoming 13th AGM will be disseminated through both electronic format (made available on Bursa Securities’ website and Company’s website) and hardcopy. Additionally, the notice will be advertised in the “The Star” newspaper.	
<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>	:	Not all directors attended the general meetings held during the financial year under review due to such directors' unavoidable work commitments overseas. The Directors in attendance, Group Financial Controller and the Company's External Auditors (for annual general meeting) attended the general meetings held during the financial year to provide meaningful responses on questions raised by the shareholders.	
		Adequate time is given during General Meetings to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters.	
<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>	:	To promote participation of shareholders in remote locations through proxy(ies), the Company's Constitution includes explicit right of proxy (ies) to speak at general meetings, to allow a member who is an exempt authorized nominee to appoint multiple proxies for each omnibus account it holds and imposes no restriction on proxy's qualification.	
		During the financial year under review, the Company did not conduct its general meetings by using electronic voting and webcast for remote shareholder participation because the Company held its general meetings in Johor Bahru and the venue of the general meetings in Johor Bahru could be easily accessed. The Board is of the opinion that it was not cost effective to implement electronic voting and webcast for insignificant remote shareholder participation.	
<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  
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.*

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