

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0131
COMPANY NAME : Diversified Gateway Solutions 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Diversified Gateway Solutions Berhad (“DGSB and/or “the Company”) is responsible for the overall governance of the Group by ensuring that the strategic guidance and succession plan of the Group, the effective monitoring of management goals, and accountability to the Group and shareholders, as well as ensuring that the Group's internal controls, risk management and reporting procedures are fully in place.</p> <p>The Board members exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied, through compliance with relevant rules and regulations, directives and guidelines. The Board members are attentive in applying high ethical standards in their decision-making, taking into account the interests of all stakeholders.</p> <p>The Board has a formal schedule of matters reserved to itself for decision. The core responsibilities of the Board include reviewing and approving the Group's business strategies and plans, significant policies and monitoring the Management's performance in implementing them.</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”) and Remuneration Committee (“RC”). 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 Director (“ED”) is involved in leadership roles and oversees the Group's operations and performance. He liaises with the Chief Operating Officer (“COO”) 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 EXCO, the ED and the COO of the operating subsidiaries, who are accountable for initiating ideas to create competitive edge 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 at all key areas. The plan also includes offering a competitive remuneration package to and providing training and career development opportunities for employees in all key functions of the Group’s 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 www.dgsbgroup.com.</p>	
Explanation for departure		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure		
Timeframe		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of DGSB's Board is Dato' Mah Siew Kwok, who is Non-Independent and Non-Executive. The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company's website at www.dgsbgroup.com.</p> <p>The Chairman presides over meetings of Directors and provide leadership to the Board in the effective discharge of its fiduciary duties. He is also responsible in ensuring that proper and good corporate governance is undertaken by the Company and the Group and comply with all relevant regulations and legislation.</p> <p>The Chairman is also responsible in ensuring the Board's full control of the Company's affair and to discuss all relevant issues at meetings.</p> <p>In addition, the Chairman must ensure that all Directors, more particularly the Non-Executive Directors receives timely relevant information on financial and non-financial matters to enable them to participate actively in Board decisions and ensuring that the Executive Directors looks beyond their executive duties and accept their full share of responsibilities of governance. On top of that, the Chairman shall monitor the performance of and advise and support the Executive Director and Chief Operating Officer.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	<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 roles and responsibilities of the Chairman and Chief Executive Officer ("CEO") are clearly established, each having separate and clearly defined scopes of responsibilities and authority as provided in the Board Charter. The division of roles and responsibilities ensures that there is no excessive concentration of power in these positions.</p> <p>The Chairman of the Board is Dato' Mah Siew Kwok. Meanwhile, the CEO of the Company has resigned on 31 July 2017 and the position is vacant as at the financial year ended. The role of the CEO currently undertaken by the Executive Director of the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has full and unrestricted access to all information within the Company and the Group as well as the advice and services of Senior Management and the Company Secretary in carrying out their duties. The Company Secretaries play advisory role to the Board on matters pertaining to compliance of procedures, rules and regulatory requirements. Deliberations at meetings were properly recorded and kept.</p> <p>Both appointed Company Secretaries of DGSB 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>During the financial year 2018, the Company Secretaries had undertaken continuous professional development by attending relevant training programmes and continuous professional development programmes as required by MAICSA for practising company secretaries.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<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 Board members based on the targeted dates of announcements of the Group's quarterly results.</p> <p>Notice of meetings are issued to the Board and the Management via email at least seven (7) working days prior to the meeting. The Company Secretaries ensure that the meeting papers uploaded to a file sharing system, by email and/or hard copy, upon request and circulated as soon as practicable upon receipt the meeting papers from the Management, internal and external auditors.</p> <p>The minutes of the meetings recorded the key deliberations and decisions of the Board and Board Committees, including dissenting vote and abstention, if any. In addition, the status updates to the matters arising from previous meetings will be tabled at the next Board or Board Committees' meetings for further discussion.</p> <p>The draft minutes would be circulated to the Management, Board and Board Committees' members for review and comments, and the Minutes would be confirmed and signed by the respective Chairmen at the next Board and Board Committees' Meetings. The signed minutes are properly filed in the Minutes Books of the Company.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter serves as a prime reference for the Board members of their fiduciary duties as directors of the Company. It provides guidance and clarity regarding the roles and responsibilities of the Board and Board Committees, the requirements of Directors in carrying out their roles and discharging their duties towards the Company as well as the Board's operating practices.</p> <p>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. It was last reviewed by the Board on 28 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 www.dgsbgroup.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	To sustain good corporate governance, the Board has formulated and adopted a code of ethics and conduct to create a culture in which people act as a team toward the greater goal of the Company. The Code of Ethics and Conduct is applicable to all Directors and employees (including full time, probationary, contract, part time and temporary staff) of the Group. The Code of Ethics and Conduct was reviewed by the Board on 28 May 2018 and is available for reference at the Company's website www.dgsbgroup.com .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>In line with good corporate governance practices and with the introduction of 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 and stakeholders (“Whistleblower”) to report any wrongdoing on the part of employees, management, Directors and vendors in particular with respect of their obligation to the Group’s interest.</p> <p>The Whistleblowing Policy was last reviewed by the Board on 28 May 2018 and is available for reference at the Company’s website www.dgsbgroup.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board of DGSB comprises six (6) members:</p> <ul style="list-style-type: none"> • 3 Independent Non-Executive Directors (INEDs) • 2 Non-Independent Non-Executive Directors • 1 Executive Director <p>The three (3) INEDs made up at least half of the total number of the Board members.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The tenure of Independent Directors is set out in DGSB's Board Charter which was reviewed by the Board on 28 May 2018 and is available for reference at the Company's website www.dgsbgroup.com.</p> <p>None of the Independent Non-Executive Directors' tenure has exceeded of nine (9) years in the financial year 2018.</p>

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating Committee (“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"> • skills, knowledge, expertise and experience; • time commitment to effectively discharge his/her role as a director; • character, integrity and competence; and • 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. <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.</p> <p>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>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the need for gender diversity for good corporate governance practices 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.</p> <p>The Board believes that while it is important to promote gender diversity, it decided not to set specific targets to fill the quota gender diversity. Rather, the selection criteria of a Director will be based on an effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board. Gender quota and target will be considered when vacancies arise and suitable candidates are identified.</p> <p>Currently, the Board comprises one (1) woman director, namely Ms Wan Mai Gan, representing 16% of the total Board members.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>During the financial year ended 31 March 2018, the following Directors were appointed on 10 November 2017:</p> <ul style="list-style-type: none">i) Dato' Dr Tan Seng Chuan – Executive Director; andii) Mr Monteiro Gerard Clair – Non-Independent Non-Executive Director. <p>In identifying new Board members, the Board seeks recommendations for candidates from existing board members, management and major shareholder. The Board will ensure 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. The NC would also be open to referrals from external sources available, such as industry and professional associations, as well as independent search firms</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	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.

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee (“NC”) was chaired by Mr Mah Yong Sun, an Independent Non-Executive Director (“INED”) of DGSB. In consequential of his resignation as the INED, Mr Mah Yong Sun has also resigned as Chairman of NC with effect from 16 April 2018. Ms Wan Mai Gan, an INED of DGSB was appointed as the Chairman of NC on 18 April 2018 in place of Mr Mah Yong Sun. The Terms of Reference of the NC is available on the Company’s website at www.dgsbgroup.com .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<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"> • 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 • the size and composition of the Board was optimum with a good balance of Executive Directors and Independent Non-Executive Directors • 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 • the Directors understand their roles, powers, duties and responsibilities and the activities carried out by the Company • the Independent Directors are independent <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>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	: Applied
Explanation on application of the practice	<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 Director 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 Remuneration Committee ("RC") reviews and recommends to the Board the remuneration package of each of the Executive Director. It is the responsibility of the entire Board to approve the remuneration of the Executive Director. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. The Executive or Non-Executive Directors play no part in the decision-making with regard to their 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">• Individual performance• Skills and knowledge• Involvement in the Group's affairs• Achievement of Group's internal targets• Performance and profitability of the Group

	<p>The RC also considers other factors such as time commitment, duties and responsibilities.</p> <p>The Director Remuneration Policy was reviewed by the NC and approved by the Board on 28 May 2018 for consistency with the MCGG and Companies Act, 2016, which is available for reference at the Company's website www.dgsbgroup.com.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	The RC consists of three (3) members 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 www.dgsbgroup.com .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	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 in Page 26 in Annual Report 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the view that the disclosure of the Senior Management's remuneration on named basis would 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 to five senior management personnel who are not Directors of the Company will not prejudiced the interest of its shareholders.</p> <p>The profiles of Key Senior Management are set out in Page 18 in the Annual Report 2018.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The ARMC is chaired by an Independent Non-Executive Director, Mr Chow Seck Kai, who is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is 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.

Application	:	Applied	
Explanation on application of the practice	:	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. 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.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through the ARMC has maintained and appropriate, formal and transparent relationship with the external auditors and has adopted an External Auditors Independence Policy which was reviewed on 17 May 2018, which is also available on the Company's website at www.dgsbgroup.com.</p> <p>In May 2017, the ARMC:</p> <ul style="list-style-type: none">(i) review and assess the performance and independence of the External Auditors, Messrs BDO (BDO) in accordance with the Policy of the Company;(ii) note the non-audit services provided by BDO; and(iii) consider its suitability for re-appointment as external auditors of the DGSB Group for the next financial year end.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The ARMC of DGSB comprises solely of Independent Non-Executive Directors.

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.

Application	:	Applied
Explanation on application of the practice	:	The members of ARMC possesses 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.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied	
Explanation on application of the practice	:	<p>An effective risk management (“ERM”) framework was developed by Messrs Ernst & Young Advisory Services Sdn Bhd, the Internal Auditors of the Company in year 2014 and currently the management has engaged Messrs Crowe Horwath Governance Sdn Bhd (“CH”) to enhance and re-assess the risks for the entire Group.</p> <p>As for internal control framework, the management has put the necessary framework in place and the outsourced Internal Auditor provides the necessary assurance on the adequacy and effectiveness of the said framework.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	ERM - There is on-going assessment and enhancement on the risk management framework. We implement/monitor the action plan Internal Audit (“IA”) – The company has outsourced its IA function to CH and CH reports directly to the ARMC on a quarterly basis on the adequacy and effectiveness of the internal control framework.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has outsourced the internal audit function to an independent professional firm of auditors, CH. The outsourced Internal Auditor performs its functions with impartiality, proficiency and due professional care. It undertakes regular monitoring of the Group’s key controls and procedures, which is an integral part of the Group’s system of internal control.</p> <p>The internal audit 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> <p>The company has outsourced its IA function to CH and CH reports directly to the ARMC on a quarterly basis on the adequacy and effectiveness of the internal control framework.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> - We hereby confirm that we are free from any relationships or conflict of interest that could impact objectivity and independence. - At least 3 internal auditors are assigned to the audit - Amos Law, Certified Internal Auditor, Certification in Risk Management Assurance, Chartered Member of The Institute of Internal Auditors Malaysia, BA Accountancy & Finance, Heriot-Watt University - The internal audit function is guided by the International Professional Practices Framework, issued by IIA Inc 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledge the importance of effective, transparent, regular communication and proper dissemination of information to its shareholders and also other stakeholder. The Company keeps shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.</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 www.dgsbgroup.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Company has not adopted integrated reporting for the financial year ended 31 March 2018 as DGSB is not a “Large Companies” as defined in the MCCG.</p> <p>The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company’s financial and non-financial information.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company Secretaries, by order of the Board, served a notice of AGM to all shareholders of the Company at least 28 days prior to its AGM to provide the shareholders sufficient time to consider the proposed resolutions.</p> <p>The forthcoming 13th AGM of the Company will be convened on 5 September 2018. The Notice of 13th AGM will be sent to the shareholders on 31 July 2018 which is more than 28 days prior to 13th AGM.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The annual meeting calendar was prepared and circulated to Directors prior to the commencement of a new financial year in order for the Directors to lock-in dates of AGM, Board and Board Committees meetings.</p> <p>At the 12th AGM of the Company held on 14 September 2017, all the Directors (except Mr Mah Yong Sun) 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 Chairman of the Board Committee 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.</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>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the view that the current state of technology that enables voting in absentia has not been proven in terms of security and reliability. Further, the cost of such technology may outweigh the benefits.</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 since the past AGMs of the Company had been held at the same venue.</p> <p>In the event the shareholders are not able to attend the forthcoming 13th AGM, the shareholders are allowed to appoint a proxy or proxies to attend on their behalf.</p> <p>The voting at the 2017 AGM was conducted on poll in compliance with Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.</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>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	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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