

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0131
COMPANY NAME : Diversified Gateway Solutions Berhad
FINANCIAL YEAR : June 30, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO THE 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 Directors (the "Board") of Diversified Gateway Solutions Berhad ("DGSB" or the "Company") is responsible for the overall governance of the Company and its subsidiaries (collectively known as the "Group") by ensuring that the strategic guidance and succession plan of the Group, the effective monitoring of management goals, accountability to the Group and shareholders, as well as ensuring that the Group's internal controls, risk management and reporting procedures are 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 the 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 roles, duties and responsibilities of the Board are clearly set out in the Board Charter. The Board reviewed and revised the Board Charter during the financial year and the revised charter is available on the Company's website at www.dgsbgroup.com.</p> <p>The Board has delegated some of its responsibilities to the Board Committees, namely Executive Committee, Audit and Risk Management Committee, Nominating Committee and Remuneration Committee. The</p>

	roles and responsibilities of the Board Committees are set out in their respective terms of reference.	
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 1.2

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 Board is chaired by Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP, an Independent Non-Executive Chairperson who was appointed to the Board on 8 October 2018.</p> <p>The Chairperson presides over meetings of Directors and provides leadership to the Board in the effective discharge of its fiduciary duties to ensure the smooth functioning of the Board. The Chairperson is required, amongst others, to undertake the following duties and responsibilities:</p> <ul style="list-style-type: none">• foster a democratic boardroom environment and facilitate the conduct of all Board meetings and also to encourage the active participation of Directors during Board meetings;• manage the interface between the Board and Management and promote a positive and respectful relation between the Board and Management;• act as the main representative of the Group alongside the Executive Vice Chairman and Group CEO at meetings with shareholders and on other occasions where key or major actions are taken or statements are made on behalf of the Company/Group;• lead the Board to ensure that the integrity and effectiveness of the governance process of the Board and the creation of an effective corporate governance system as well as ongoing education programmes for Directors;• oversee and facilitate the Board, Board Committees and individual Director's evaluation alongside the Chairman of the Nominating Committee.
Explanation for dep\arture	:	

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

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 Chairperson of DGSB is Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP who is assisted by the Executive Vice Chairman, Dato' Dr Tan Seng Chuan whilst the position of the Group CEO is held by Mr. Kenny Chin Wui Chee. The Group CEO is not a Director of DGSB.</p> <p>The Board recognises the importance of having a clear division of function and responsibilities of the roles of Chairperson and Group CEO to ensure a balance of power and authority. The roles and responsibilities of the Chairperson and Group CEO are clearly established and set out in the Board Charter. Such division of roles and responsibilities ensures that there is no excessive concentration of power in these positions.</p> <p>The Chairperson leads the board in its collective oversight of management and the Group's overall strategic functions, whereas the Group CEO focuses on day-to-day management of the Group's business affairs and implementation of the Board's policies, strategies and decisions.</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>In discharging the Board's duties and oversight function, Directors have unrestricted access to the services of the Company Secretaries. The office of the Company Secretaries is jointly held by Ms. Lau Fong Siew (MAICSA 7045893) and Ms. Lau Choi King (MAICSA 7059575).</p> <p>As members of the Malaysian Institute of Chartered Secretaries and Administrator ("MAICSA"), the Company Secretaries are qualified and well-positioned to undertake their role. Both Company Secretaries fulfilled requirements on qualifications of company secretaries as enshrined in Section 235(2) of Companies Act 2016.</p> <p>The Companies Secretaries provide advice to the Board on corporate governance matters and assist the Board in ensuring compliance with the latest regulatory requirements. As members of a professional body, the Company Secretaries attend regular trainings and seminars to keep themselves abreast of the latest developments in the corporate governance realm.</p> <p>The Company Secretaries have attended and facilitated all Board and Board Committees meetings. In fulfilling their role, the Company Secretaries have ensured the timely and accurate record keeping of meeting minutes, which contain detailed proceedings of Board and Board Committee meetings.</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 which includes scheduled dates for the meetings of the Board, Board Committees and Annual General Meeting is prepared and circulated to the Board before or at the beginning of each year in order to provide adequate time to the Directors to plan ahead and make the necessary arrangement for meeting attendances.</p> <p>The Board hold at least 5 scheduled meetings annually, with additional meetings for particular matters convened as and when necessary.</p> <p>Notice of Board or Board Committee meeting, which includes a formal meeting agenda, is distributed electronically to the Directors in a timely manner prior to the respective meeting. The notice of meeting is accompanied by the relevant meeting materials such as financial performance and operating performance of each business unit, quarterly financial results, updates on regulatory requirements and any significant acquisitions and disposals and financial reports. In preparing the Board papers, Management is mindful in ensuring that they are presented in a consistent, concise and comprehensive format to allow Directors to decipher and dissect the information efficiently.</p> <p>The minutes of the meetings record the key deliberations and decisions of the Board and Board Committees, including dissenting views and abstention, if any and are circulated to the Directors for their comments and input. The said minutes would be confirmed and signed by the respective Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting of the Board and Board Committees.</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

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.</p> <p>The Board Charter was revised during the financial year and is accessible to stakeholders and the general public via the Company's website.</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	:	<p>The Board strives to instill ethical values and standards across every level in the Group. In this regard, the Board has formulated and adopted a Code of Conduct and Ethics ("Code") which sets out the principles and standards of business ethics and conduct to be observed by all Directors and employees (including full time, probationary, contract, part time and temporary staff) of the Group.</p> <p>The Anti-Corruption and Bribery Policy ("ACB Policy") which outlines the Company's commitment to conduct the business ethically in view of the introduction of Section 17A of the Malaysian Anti-Corruption Commission Act 2009, was adopted in May 2020. The ACB Policy provides principles, guidelines and requirements on how to deal with bribery and corrupt practices that may arise in the course of daily business and operation activities within the Group. The ACB Policy is applicable to all Directors, employees and any third parties associated with the Group which may include but not limited to suppliers, contractors and agents. The Board, via the Audit and Risk Management Committee, will review, evaluate and strengthen the anti-corruption controls to ensure adequate procedures are in place in accordance with the five (5) principles of Guidelines on Adequate Procedures issued by the Malaysian Anti-Corruption Commission.</p> <p>The Board reviews the Code and ACB Policy periodically to ensure they continue to remain relevant and appropriate. The Code and ACB Policy were last reviewed and revised in May 2021 and are available on the Company's website.</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 3.2

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, a Whistleblowing Policy and Procedures has been established by the Company to encourage its employees and stakeholders (“Whistleblower”) to report any malpractice or misconduct or any action that is or could be harmful to the reputation of the Group and compromise the interest of stakeholders. It affords an avenue to provide and facilitate a mechanism for any Whistleblower to report concerns about any suspected and/or known wrongdoing.</p> <p>The Whistleblowing Policy and Procedures outlines the whistleblowing procedure and designated channels for employees and other stakeholders to report any concerns regarding potential misconduct directly to their immediate line manager or Head of Department and up to the Chairman of the Audit and Risk Management Committee (“ARMC”). The ARMC as the oversight body of the Whistleblowing Policy and Procedures provides the required independence of the whistleblowing reporting mechanism. During the financial year, no whistleblowing complaint was received by the designated recipients.</p> <p>The Whistleblowing Policy and Procedures was reviewed and revised during the financial year and is available on the Company’s website.</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>Following the appointment of Dato' Wong Gian Kui during the financial year, the Board of DGSB presently comprises eight (8) members as follows:-</p> <ul style="list-style-type: none">➤ Three (3) Executive Directors;➤ Four (4) Independent Non-Executive Directors; and➤ One (1) Non-Independent Non-Executive Director. <p>The current Board composition complies with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad whereby at least two (2) or one-third (1/3) of the Board members, whichever is the higher, must be independent directors. The Board comprises a majority of Independent Directors despite not being Large Company.</p> <p>The Board recognises the value of having a majority of Independent Directors on the Board in promoting objectivity during boardroom deliberations and impartiality in the decision-making process. The presence of majority Independent Directors provides the necessary counterweight for Directors to encourage, support and drive each other in promoting the value creation and sustainability of the business.</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	:	Please provide an explanation for the departure.	
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	:	Not Adopted
Explanation on adoption of the practice	:	

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.

<p>Application</p>	<p>: Applied</p>
<p>Explanation on application of the practice</p>	<p>: The Nominating Committee (“NC”) undertakes an annual review of the composition of the Board with a view to promote a healthy level of diversity from the aspects of gender, age, ethnicity, skills, qualifications and experiences.</p> <p>The NC is also responsible for screening, nominating, assessing and recommending suitable candidates for appointment as new Directors/Committee member/Senior Management either to fill a vacancy or as an additional member of the Board/Board Committee/Senior Management.</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 Independent Non-Executive Directors (“INEDs”), the NC shall also evaluate the candidates’ ability to discharge such responsibilities/functions as expected from INEDs. <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.</p>
<p>Explanation for departure</p>	<p>: </p>
<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	:	Departure	
Explanation on application of the practice	:	N/A	
Explanation for departure	:	Currently, there are two (2) female Directors on the Board of DGSB, representing 25% of the total Board members which is marginally lower than the recommendation.	
		The Board acknowledges the need for gender diversity for good governance practices and to bring a variety of perspectives to Board deliberation and decision-making.	
		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 Director is based on an effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board.	
<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 4.6

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	:	Applied
Explanation on application of the practice	:	<p>The NC is delegated with the responsibility to identify, assess and recommend suitable candidates for directorship in the Board.</p> <p>In identifying new Board members, the NC seeks recommendations for candidates from the existing Board members, Management and major shareholders as well as independent external referrals and search firms. The NC will ensure that the recommended candidates are suitable and of sufficient calibre before recommending their appointment to the Board.</p> <p>A new Executive Director, Dato' Wong Gian Kui, was appointed during the financial year ended 30 June 2021 at the recommendation of the Executive Directors.</p> <p>Nevertheless, the Board is open to leveraging on third party sources such as independent search firms and directors' registries in order to "cast a wider net" and gain access to a wider talent pool that would otherwise be beyond the Board's radar.</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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The NC is chaired by Dr. Tang Pen San, an Independent Non-Executive Director.</p> <p>The Board is cognisant that an effective evaluation, recruitment and remuneration process of Directors is essential for a high performing Board and views that Dr. Tang, who is an Independent Director is suitably qualified to lead the conduct of the NC in an effective and objective manner.</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

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>The NC is responsible for the Board effectiveness evaluation exercise, covering the Board, Board Committees and individual Directors.</p> <p>Based on the outcome of the annual review carried out by the NC, the Board was satisfied that the existing size and composition of the Board and Board Committees had fulfilled the criteria required and possess a right blend of knowledge, experience, appropriate mix of skills and other core competencies required for the Board and Board Committees to carry out their responsibilities. The Independent Directors were assessed to be objective and independent in exercising their judgement.</p> <p>The Board effective evaluation for the financial year ended 30 June 2021 was conducted internally and facilitated by the Company Secretaries. It was conducted based on a combination of self & peer assessment by each and every Director via customized questionnaires, which are premised on qualitative and quantitative criteria such as contribution, business acumen, specific competencies and meeting attendance.</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 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 Remuneration Policy to determine the remuneration of Directors and Senior Management, taking into account the demands, complexities and performance of the Company as well as skills and experience required in discharging their duties and responsibilities.</p> <p>The objective of the Remuneration Policy is to attract, retain and motivate high calibre Directors and Senior Management to manage the business of the Company and Group for long-term success as well as to deliver value for shareholders.</p> <p>The remuneration of the Executive Directors and Senior Management is structured as to link rewards to corporate and individual performance and take into account similar package at comparable companies of similar size and/or in the same industry. In the case of the Non-Executive Directors, the level of remuneration reflects the experience, competence, expertise, time commitment and level of responsibilities undertaken by the particular Non-Executive Director concerned.</p> <p>The Remuneration Committee ("RC") assists the Board in implementing its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and Senior Management. The remuneration of the Executive Directors and Senior Management is approved by the Board as a whole. As for the remuneration of Non-Executive Directors, upon the endorsement of the recommendation by the RC, the Board will propose the remuneration, with or without adjustment, for approval by the shareholders at annual general meeting. Interested Directors shall abstain from all deliberation and voting when matters affecting their own remuneration are considered.</p>

	The Remuneration Policy was reviewed by the Board during the financial year and is available on the Company's website.	
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 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	:	<p>The RC consists of three (3) members with a majority of them being Independent Directors.</p> <p>The RC is delegated with the responsibility to provide oversight on remuneration matters pertaining to the Directors and Senior Management, including to review and recommend the remuneration structure and policy for Directors and to review changes to the policy, where applicable. The RC ensures that the Directors and Senior Management are fairly remunerated for their individual contributions to the Company's overall performance and their level of remuneration should be sufficient to attract, retain talents to run the Company successfully.</p> <p>The duties and responsibilities of the RC are set out in its terms of reference which is available on the Company's website.</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

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 the Annual Report 2021.
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	:	N/A	
Explanation for departure	:	The Board is of the view that the disclosure of the Senior Management's remuneration on named basis would not be in the best interest of the Group given the competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, where poaching by recruitment service provider has become common now.	
		The Board believes that the non-disclosure of remuneration of the Senior Management personnel who are not Directors of the Company will not prejudice the interest of the shareholders of the Company. The Board will ensure that the remuneration of the Senior Management of the Company and the Group commensurate with their level of duties and responsibilities and against the Company's and the Group's performance.	
<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 7.3 - 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 Mr. Chow Seck Kai, an Independent Non-Executive Director who is not the Chairman of the Board. Having the positions of the Chairman of the Board and Chairman of ARMC held by two (2) different Directors allows the Board to objectively review the findings and recommendations of the ARMC. Mr. Chow is a Fellow of the Institute of Public Accountants, Australia and he possesses sound financial understanding suitable to helm the position of Chairman of the ARMC and to lead the discussions and deliberations of the ARMC.	
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	:	
Explanation for departure	:	It is one of the requirements stated in the ARMC's terms of reference that no former key audit partner shall be appointed as a member of ARMC before observing a cooling-off period of at least two (2) years. None of the members of ARMC are former key audit partners of the external auditors.
<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, maintains an appropriate, formal and transparent relationship with the external auditors and has adopted a Policy on External Auditor which outline the guidelines and procedures for the ARMC to assess and monitor the external auditor in order to preserve the integrity and credibility of the external audit process.</p> <p>The Policy on External Auditor is available on the Company's website.</p> <p>The ARMC reviews and assesses the independence of its external auditors annually at the time the external auditors present its annual audit plan. The external audit engagement partner is required to rotate at least once every five (5) years.</p> <p>The ARMC also reviews the performance of the external auditors on an annual basis after completion of the year-end audit. The ARMC evaluates the effectiveness of external auditors based on a number of criteria including but not restricted to:-</p> <ul style="list-style-type: none">➤ The overall comprehensiveness of the external audit plan;➤ The timeliness and quality of communication promised under the plan and delivered during the audit;➤ The competency and industry knowledge of external audit staff; and➤ The adequacy of resources to achieve the scope as outlined in the audit plan. <p>For the financial year ended 30 June 2021, the ARMC was satisfied with the suitability, objectivity and independence of the external auditors, Grant Thornton Malaysia PLT ("GTM") throughout the conduct of the audit process and has made its recommendation for the re-appointment of GTM as the external auditors of the Company for the ensuing year to the Board. At the ARMC's recommendation, the Board has approved the proposal to seek shareholders' approval for the re-appointment of GTM as the external auditors for financial year 2022 at the forthcoming Annual General Meeting.</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 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	:	<p>The members of the ARMC collectively possess the necessary skills and knowledge to meet their responsibilities and to discharge their duties effectively. Mr. Chow Seck Kai, the Chairman of ARMC, is a Fellow of the Institute of Public Accountants, Australia. The qualification and experience of the individual ARMC members are disclosed in the Profile of Directors in the Annual Report 2021.</p> <p>The Board, through the Nominating Committee, had assessed the terms of office and performance of the ARMC and each of its members and is satisfied that the ARMC and its members have discharged their functions, duties and responsibilities in accordance with the terms of reference, and supported the Board in ensuring that the Group upholds appropriate Corporate Governance standards.</p> <p>The ARMC members have and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of the trainings attended by the ARMC members are provided in the Corporate Governance Overview Statement in the Annual Report 2021.</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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board affirms its responsibilities for the Group's system of internal control, which includes the establishment of an effective control environment and appropriate internal control framework as well as review its adequacy and integrity. This system is designed to identify and manage risk facing the business and covers financial, organisational, operational and compliance controls to safeguard shareholders' investment and the Group's assets.</p> <p>The Group has in place a risk management framework which incorporates, amongst others, a structured process of identifying, evaluating and prioritising risks, as well as clearly defining the risk responsibilities and escalation process of significant risks and enterprise risk management oversight framework.</p> <p>The ARMC, as the Board's delegate, is responsible for providing oversight on the Group's risk management and internal control framework and for reporting to the Board in a timely manner on the key risks facing the Group, changes to the risk profile as well as action plans to manage the risks.</p> <p>Detailed disclosure on the Group's risk management and internal control framework is narrated in the Statement on Risk Management and Internal Control contained within the Annual Report 2021.</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	:	<p>The Board has provided detailed disclosure on the features of the Group's risk management and internal control framework together with an assessment of its adequacy and effectiveness in the Statement on Risk Management and Internal Control contained within the Annual Report 2021.</p> <p>The Statement amongst others articulates the varying responsibilities for risk management across the different levels of employees as well as information pertaining to the internal audit function.</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 9.3 - 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 internal audit function of the Group is outsourced to a professional firm of auditors, Crowe Governance Sdn Bhd, who report directly to the ARMC. The outsourced Internal Auditor performs its function 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 ARMC is delegated with the responsibility of overseeing the internal audit function to ensure it remains effective and independent. The ARMC reviews and subsequently approves the annual Internal Audit Plan. The ARMC also reviews and approves the internal audit fees and ensures that the Internal Auditor has adequate resources to perform its duties with objectivity and without undue influence from any third parties.</p> <p>All internal control deficiencies identified in the course of audit are reported to management. The internal audit reports containing audit findings, improvement opportunities, management response and corrective measures taken are presented to the ARMC for review and deliberation. The Internal Auditor also conduct follow-up audits and update the ARMC on the progress of each recommendation and corrective measure taken as recommended by the audit findings.</p> <p>Further details of the internal audit activities are disclosed in the ARMC Report in the Annual Report 2021.</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	:	The outsourced Internal Auditor, Crowe Governance Sdn Bhd, confirmed that they are free from any relationships or conflict of interest that could impair their subjectivity and independence. There are at least 3 internal audit staffs assigned to the conduct of internal audit within the Group. The outsourced internal audit team is led by Mr. Amos Law, a Certified Internal Auditor, Certification in Risk Management Assurance, who is also a Chartered Member of The Institute of Internal Auditors Malaysia. He holds a Bachelor Degree in Accountancy & Finance from Heriot-Watt University. The internal audit function is carried out and 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 acknowledges the importance of effective, transparent and proper dissemination of information to its shareholders and other stakeholders. The Company keeps shareholders and the public informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to the shareholders via Bursa Malaysia Securities Berhad's website.</p> <p>Shareholders and members of the public may also obtain information on the Group's operations, activities, products and services, as well as press releases, announcements and financial information etc. from the Company's website and/or social media platforms. The Company has established a dedicated section 'Investors Relation' at www.dgsbgroup.com to support communication with shareholders and the general public.</p> <p>Shareholders are presented with an overview of the Company's and the Group's results, business activities and prospects at the Annual General Meetings ("AGM") of the Company. The Company's AGM has always been well attended and serves as a principal forum for dialogue and interaction with the shareholders. The Chairperson invites the shareholders to raise any questions that they may have in respect of the Company's and the Group's activities, financial performances and prospects.</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	:	The Company has not adopted integrated reporting for the financial year ended 30 June 2021 as DGSB is not categorised under "Large Companies" as defined in the MCCG.	
		The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information.	
<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 12.1

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>It has been the Company's practice to serve notice of Annual General Meeting ("AGM") to all shareholders of the Company at least 28 days prior to AGM to provide the shareholders sufficient time to consider the proposed resolutions.</p> <p>The forthcoming 16th AGM of the Company will be convened on 9 December 2021. The notice of AGM will be sent to the shareholders on 29 October 2021 which is more than 28 days prior to the 16th AGM. The explanatory notes to the notice of AGM provides detailed explanations for the resolutions proposed, to enable the shareholders to make informed decisions in exercising their voting rights.</p> <p>A letter/email will be sent to all shareholders notifying them that the Annual Report 2021, Circular to Shareholders, notice of AGM, proxy form and administrative guide can be downloaded from the Company's website. In addition, the notice of AGM will be also published in a nationally circulated newspaper.</p> <p>Due to the Covid-19 pandemic, the last AGM of the Company held on 3 December 2020 was conducted on a fully virtual basis which allowed shareholders' participation and voting in absentia without the physical presence of the shareholders. The 16th AGM will also be conducted virtually through live streaming and online remote voting via the remote participation and voting facilities.</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	:	Applied	
Explanation on application of the practice	:	All members of the Board attended the last AGM held on 3 December 2020 which was conducted on a fully virtual basis which allowed shareholders' participation and voting in absentia without the physical presence of the shareholders. The members of the Board, the Board Committees and the Senior Management were in attendance, either physically at broadcast venue or joined remotely to respond to the shareholders' questions and queries with the presence of the external auditors. A summary of key matters discussed during the previous AGM has been made available on the Company's website in accordance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.	
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 12.3

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	:	Applied
Explanation on application of the practice	:	<p>The Company always conduct its general meetings in the Klang Valley at locations which are strategic and with easy accessibility to the shareholders/proxies. Shareholders who are unable to attend the general meetings are entitled to appoint any person or the Chairperson of the meeting as their proxies to attend, speak and vote in their stead.</p> <p>In view of the COVID-19 pandemic, the Company had leveraged on technology to conduct its 15th AGM on 3 December 2020 on a fully virtual basis through live streaming and online remote voting using the remote participation and voting facilities. This had enabled the shareholders and proxies to participate and vote remotely at the 15th AGM of the Company and also raised questions in the form of real time submission of typed texts.</p> <p>For the upcoming 16th AGM, in view of the Covid-19 health concerns, the Company will continue to leverage on technology to conduct its AGM virtually through live streaming and online remote voting. This will enable shareholders to participate fully in the proceedings without the need to be physically present in safeguarding the health and wellbeing of all shareholders, Directors, employees and other stakeholders. The remote participation and voting facilities enable shareholders to exercise their rights to participate and vote in absentia and also post their enquiries to the Board and Senior Management during the virtual 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	:		
------------------	---	--	--