

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5219
COMPANY NAME : PESTECH INTERNATIONAL BERHAD
FINANCIAL YEAR : June 30, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Based on the Company's Board Charter, the Board's primary responsibilities, based on a predetermined assessment of materiality, include giving strategic direction to the Company, identifying key risk areas and key performance indicators of Company's business, monitoring investment decisions, considering significant financial matters, and reviewing the performance of executive management against business plans, budgets and industry standards.</p> <p>The Board is explicitly responsible for the stewardship of the Company and in discharging its obligations, the Board assumes responsibility in the following areas: -</p> <ul style="list-style-type: none">(a) retain full and effective control over the Company, and monitor management in implementing Board plans and strategies;(b) ensure that a comprehensive system of policies and procedures is operative.(c) identify and monitor non-financial aspects relevant to the business;(d) ensure ethical behaviour and compliance with relevant laws and regulations audit and accounting principles, and the company's own governing documents and codes of conduct;(e) strive to act above and beyond the minimum requirements and benchmark performance against international best practices and not only to comply in practice, but be seen to comply;(f) define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions;(g) act responsibly towards the Company's relevant stakeholders; and(h) be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principles is reviewed regularly. <p>Having regard to its role, the Board is concerned with key elements of the governance processes underpinning the operation of the company with particular attention to the following: -</p> <ul style="list-style-type: none">(a) review the strategic direction of the Company and adopt business plans proposed by management for the achievement thereof;(b) approve specific financial and non-financial objectives and policies proposed by management.(c) review processes for the identification and management of business risk and processes for compliance with key regulatory and legal areas;(d) delegate authority for capital expenditure and review investment, capital and funding proposal reserved for Board approval;

	<p>(e) review succession planning for the management team and endorse senior executive appointments, organizational changes and high level remuneration issues;</p> <p>(f) provide oversight of performance against targets and objectives; and</p> <p>(g) provide oversight of reporting to shareholders on the direction, governance and performance of the company as well as other processes that need reporting and other disclosure requirements</p> <p>Apart from the above, the Board has also delegated specific responsibilities to several Board Committees and the ultimate responsibility on all matters lies with the entire Board.</p> <p>The Board has adopted a schedule of matters specifically reserved for its approval which include, amongst others, reviewing and approving the following:</p> <p>(a) the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations in business plans;</p> <p>(b) new investments, divestments, mergers or acquisitions exercises and/or fund raising activities;</p> <p>(c) the approvals of annual financial statements, and unaudited quarterly results prior to release to Bursa Malaysia Securities Berhad;</p> <p>(d) amendments to the Constitution of the Company;</p> <p>(e) Appointments to and removals from the Board including the appointment of the Chairman, Group Chief Executive Officer, executive directors and non-executive directors</p>
<p>Explanation for departure</p>	<p>: NA</p>
	<p>NA</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: NA</p>
<p>Timeframe</p>	<p>: NA</p>

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>Our Chairman, Mr. Lim Ah Hock (“Mr. Lim”) is the Executive Chairman of the Company. He provides leadership to the Board in its oversight of management and ensures effective functioning of the Board.</p> <p>The Executive Chairman is elected by the Board and will preside at all Board meeting and general meetings of the Company. The Executive Chairman will ensure procedural rules are followed in the conduct of meetings and that decisions are formally recorded and adopted.</p> <p>Some of the specific responsibilities of the Chairman include to ensure:-</p> <ul style="list-style-type: none"> • the integrity and effectiveness of the governance process of the Board. • that the content and order of the agenda are appropriate and that the members of the Board have the relevant papers in good time. • regular dialogue with the Group Chief Executive Officer (“GCEO”) over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him or her cause for major concern. • that no member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming. <p>With over four (4) decades of entrepreneurial experience, Mr. Lim contributes his experience and expertise in leading the Board in charting major corporate development plans, steering macro business growth direction of our Group together with the stewardship of our GCEO, monitor the overall financial wellbeing and activities of our Group.</p>
Explanation for departure	:	<p>NA</p> <hr/> <p>NA</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 roles of the Chairman and Group Chief Executive Officer (“GCEO”) are held by different individual. The distinct and separate roles of the Chairman and GCEO with their clear division of responsibilities ensures that there is a balance of power and authority, such that no one has unfettered decision-making powers.</p> <p>The Executive Chairman, Mr. Lim Ah Hock is responsible for providing leadership to the Board and ensuring smooth and effective functioning of the Board whereas the GCEO, Mr. Paul Lim Pay Chuan is responsible for overseeing the day-to-day management of the Group's businesses and implementing Board's policies and decisions.</p>
Explanation for departure	:	NA
		NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 Company Secretaries of the Company are Fellow members of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) and member of the Malaysian Institute of Accountants (“MIA”). They are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016.</p> <p>The Company Secretaries assist the Board and its Committees to function effectively and in accordance with their respective Terms of Reference and best practices and ensuring adherence to the existing Board policies and procedures. The Company Secretaries are responsible to ensure the proper conduct of the meetings according to the rules and regulation. They also ensure that the Board’s deliberations at meetings are properly minuted. The Company Secretaries always supported the Board and played an important role to facilitate the overall compliance with the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad other relevant laws and regulations</p> <p>The Company Secretaries had attended the necessary training programmes, conferences, seminars and/or forums organised by the Companies Commission of Malaysia, MAICSA, MIA the Securities Commission Malaysia and Bursa Malaysia Securities Berhad to keep themselves abreast with the current regulatory changes in laws and regulatory requirements that are relevant to their profession and to provide the necessary advisory role to the Board.</p>	
Explanation for departure	:	NA	
		NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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>All Directors are furnished with the relevant agenda and Board Papers at least seven (7) days or such earlier period as agreed by the Board prior to each meeting</p> <p>The Board Papers includes, among others, the minutes of previous meetings of the Board and Committees, summary of dealings in shares by the Directors, Directors' circular resolutions, reports on the Group's financial statements and list of announcements made to Bursa Malaysia Securities Berhad.</p> <p>All Directors also ensure that the minutes of Board Meetings reflect the deliberations and decisions of the Board including whether any Directors had abstained from voting/deliberating on a particular matter.</p> <p>The minutes of the meeting will be circulated to all Directors and tabled at next meeting for confirmation. The minutes of the meeting are duly signed by the Chairman and properly kept at the Registered Office.</p> <p>For matters which require the Board's decision on urgent basis outside of Board Meetings, board papers along with resolutions in writing will be circulated for the Board's consideration. All circular resolutions approved by the Board are tabled for notation at the next Board Meeting.</p>	
Explanation for departure	:	NA	
		NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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>A Board Charter had been adopted and periodically reviewed by the Board for updates on new and improved practices and governance standards. The Board had recently reviewed and updated the Board Charter on 11 October 2019 to ensure the Board's responsibilities are in line with the Companies Act 2016, requirements of the Malaysian Code of Corporate Governance and Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board Charter can be viewed on the Company's corporate website at www.pestech-international.com.</p> <p>The Board Charter describes concisely the roles and responsibilities of the Board, Board Committees, individual Director and Management, as well as the issues and decisions reserved for the Board to facilitate the Board in discharging its fiduciary and leadership functions.</p>
Explanation for departure	:	NA
		NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 is guided by the Code of Conduct which sets out the values, principles and guidelines on how the Company conducts its business to ensure integrity and accountability.</p> <p>The Code of Conduct is published on the Company's corporate website at www.pestech-international.com.</p> <p>All employees and Directors of the Company are required to declare that they have received, read and understood the provisions of the Code of Conduct and agreed to comply with its terms throughout their employment or tenure with the Company.</p>
Explanation for departure	:	NA
		NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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>The Board has formalised a Whistleblowing Policy with mechanisms to confidentially and anonymously bring to the attention of the Audit Committee, any concerns related to matters covered by the Company's Code of Conduct and ethics, legal issues and accounting or audit matters.</p> <p>The Whistleblowing Policy provides contact details as below for the employees or relevant parties to raise concerns or non-compliance:-</p> <p>Email : whistleblower@pestech.com.my By phone : +60 3 7845 2186 By fax : +603 7845 2187 By mail to : No 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan</p>
Explanation for Departure	:	NA
		NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 comprises one (1) Executive Chairman, one (1) Executive Director cum Group Chief Executive Director and three (3) Independent Non-Executive Directors.</p> <p>At least half of our Board comprises independent directors. The Board composition ensures the effective checks and balances on the Board to safeguard the interest of the minority shareholders.</p> <p>In addition, the presence of the Senior Independent Non-Executive Director, Encik Ibrahim Bin Talib provides an additional channel for Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in open forum.</p> <p>The Nominating Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is appropriate and well balance in terms of size, mix of skills and experience.</p>
Explanation for departure	:	NA
		NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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	:	<p>Presently, there are no Independent Directors serving beyond nine (9) years.</p> <p>The Board Charter stipulates that where the tenure of an Independent Director exceeds a cumulative term of nine (9) years, the Board shall make recommendation and provide justifications to shareholders at a general meeting should it seek to retain the Director as an Independent Director. Alternatively, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.</p>	
Explanation for departure	:	NA	
	:	NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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	:	The Board Charter stipulates that where the tenure of an Independent Director exceeds a cumulative term of nine (9) years, the Board shall make recommendation and provide justifications to shareholders at a general meeting should it seek to retain the Director as an Independent Director. Alternatively, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

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 Board takes cognisance of the importance in promoting diversity and gender mix in its composition comprising of different skill sets, experience, age, cultural background and gender.</p> <p>The Nominating Committee is responsible to assess the capabilities and qualities of the candidates to be appointed as Board members as well as Board Committee members taking into account the individual's skills, competencies, knowledge, experience, expertise, professionalism and integrity. The Nominating Committee has a formal assessment mechanism in place to assess the Board, Board Committees and individual Directors on an annual basis.</p> <p>The Nominating Committee also oversees the succession planning of the Senior Management and diversity at Senior Management level is also taken into consideration.</p>	
Explanation for departure	:	NA	
	:	NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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	:	NA	
Explanation for departure	:	<p>The Company has adopted a Board Diversity Policy, which sets out the approach to diversity on the Board of Directors and the Senior Management level.</p> <p>The Board Diversity Policy does not set any specific target on the composition in terms of gender, age or ethnic of its Board members or members of Senior Management. However, the Board is well represented by individuals drawn from distinctly diverse professional backgrounds who have distinguished themselves in the electrical engineering, mechanical engineering, multinational business, and auditing arena.</p> <p>The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company. The Nominating Committee would ensure that steps will be undertaken to ensure that suitable women candidates are sought from various sources, should the need arises.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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 Board seeks recommendations for candidates for new Board members from existing Board members, major shareholders and independent sources. All appointments are subject to the review by the Nominating Committee based on pre-determined criteria prior to the consideration and approval by the Board.</p> <p>The Board takes cognisance of the recommendation of the Malaysian Code on Corporate Governance to utilise a variety of approaches and sources to identify suitable candidates, which may include sourcing from a directors' registry, open advertisements or using the independent search firms. The Nominating Committee and the Board will ensure that the procedures for appointing new Directors are transparent and formal and the appointments are made on merits.</p>	
Explanation for departure	:	NA	
		NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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 is chaired by Encik Ibrahim Bin Talib, who is our Senior Independent Non-Executive Director.	
Explanation for departure	:	NA	
		NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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 Nominating Committee is entrusted by the Board to annually review the effectiveness of the Board and Board Committees as well as the performance of individual directors.</p> <p>The annual evaluation which is internally facilitated using a set of customised self-assessment questionnaires to be completed by the Directors. The process involves individual Directors and Committee members completing evaluation questionnaires, collectively or individually, regarding the processes of the Board and its Committees, their effectiveness and areas where improvements could be considered.</p> <p>The outcome of the assessments by all Directors were summarised and discussed at the Nominating Committee meeting which were then reported to the Board. All evaluation forms completed as well as assessments and evaluations carried out by the Nominating Committee are properly documented.</p>
Explanation for departure	:	NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 in place policies and procedures to determine the remuneration of Directors and Senior Management that take into account the demands, complexities and performance of the Company as well as skills and experience required, and these are periodically reviewed.</p> <p>The remuneration of the Executive Directors is structured at such that it is linked to the corporate and individual performance. The Non-Executive Directors will receive remuneration packages which reflect the relevant experience, expertise and level of responsibilities undertaken by the respective Non-Executive Director.</p> <p>Our remuneration strategy and practices for Senior Management ensure business complexities and individual responsibilities are aligned with business strategy and long term objectives.</p> <p>The Remuneration Policy of Directors and Senior Management is accessible on the Company's website at www.pestech-international.com.</p>
Explanation for departure	:	NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 Remuneration Committee comprises solely Independent Non-Executive Directors.</p> <p>The duties and responsibilities of the Remuneration Committee are as follows:-</p> <ul style="list-style-type: none"> • To review and assess the remuneration packages of the Executive Directors and Senior Management in all forms, with or without other independent professional advice or other outside advice. • To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors and Senior Management needed to run the Company successfully. • To structure the component parts of remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at Board level at a particular time. • To recommend to the Board of Directors the remuneration packages of the Executive Directors and Senior Management. • To recommend to the Board of Directors the policy and framework for Directors' remuneration as well as the remuneration and terms of service of Executive Directors and Senior Management. • To act in line with the directions of the Board of Directors; and • To consider and examine such other matters as the Remuneration Committee considers appropriate. <p>The Terms of Reference of the Remuneration Committee is available on the Company's corporate website at www.pestech-international.com.</p>
Explanation for departure	:	NA

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

Measure	:	NA	
Timeframe	:	NA	

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 disclosure on named basis for the remuneration of individual Director and breakdown of individual Director's remuneration such as fees, salary, bonus, benefits in-kind and other emoluments is made in the Corporate Governance Overview Statement in the Annual Report for the financial year ended 30 June 2019.	
Explanation for departure	:	NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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	:	NA	
Explanation for departure	:	The Board is of the opinion that the disclosure on the remuneration of the Key Senior Management on a named basis would not be in the best interest of the Group due to confidentiality and personal security concern.	
		Therefore, disclosure on the remuneration of the two (2) Senior Management in the band of RM50,000 on no name basis is provided in the Corporate Governance Overview Statement in the Company's Annual Report for the financial year ended 30 June 2019.	
		The Board will ensure that the remuneration of the Key Senior Management commensurate with their duties and responsibilities, the performance of the Company and on par with the market payouts.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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	:	NA

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 Chairman of the Audit Committee is Mr. Tan Puay Seng and the Chairman of the Board is Mr. Lim Ah Hock.	
Explanation for departure	:	NA	
		NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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	:	The policy on observation of a cooling-off period of at least two (2) years for a former key audit partner prior to the appointment as a member of Audit Committee is incorporated in the Terms of Reference of Audit Committee. Presently, none of our member of Audit Committee is a former key audit partner.	
Explanation for departure	:	NA	
		NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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>Under the Terms of Reference of the Audit Committee, the Audit Committee shall assess and monitor the independence and qualification of the External Auditors and consider their appointment.</p> <p>Based on the annual assessment conducted for the financial year ended 30 June 2019 at the meeting held on 11 October 2019, the Audit Committee was satisfied with the performance and independence of the external auditors as well as the fulfilment of criteria based on several factors, including independence of the external auditors, quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with.</p> <p>Messrs. Grant Thornton Malaysia had also confirmed to the Audit Committee that they had been independent in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants throughout the audit engagement in respect of the financial year under review.</p> <p>The Board, upon the recommendation by the Audit Committee, has no objections to the re-appointment of the External Auditors and will accordingly, seek for shareholders' approval at the forthcoming Annual General Meeting of the Company.</p>	
Explanation for departure	:	NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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	:	All members of the Audit Committee are Independent Directors and as such, there is a strong and independent element to provide effective oversight for it to function effectively and exercise objective judgements independently.

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 Audit Committee members are financially literate and able to understand matters within the purview of the Audit Committee including the financial process. In addition, the AC members were also briefed by the External Auditors, Messrs Grant Thornton Malaysia on the financial reporting developments, i.e. updates in Malaysian Financial Reporting Standards and other regulatory requirements in the Audit Committee meeting during the financial year.</p> <p>Our Audit Committee Chairman, Mr. Tan Puay Seng is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He has been involved in professional accountant practice for over 30 years.</p> <p>The AC members are aware of the need to continuously develop and to broaden their knowledge in the areas of accounting and auditing in order to carry out their roles and duties effectively. Various training has been undertaken by the AC members on an ongoing and timely basis to keep themselves abreast of relevant industry developments</p>
Explanation for departure	:	NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 Enterprise Risk Management ("ERM") framework was established to identify and manage the significant risks faced in the Group's operations.</p> <p>The ERM framework is set out in the Annual Report for the financial year ended 30 June 2019 under the Statement on Risk Management and Internal Control. The ERM framework focuses on the Group's core business operations and comprises a formalised structured process on risks identification, evaluation, control, monitoring and reporting and risk management policy and guidelines which had been adopted by the Board.</p> <p>A Risk Management Committee (a Management-level Committee) chaired by the Group Chief Executive Officer and consist of Heads of Department/Operating Units is established for the proper implementation of the ERM framework. The report findings and discussions arising from the Risk Management Committee was then tabled to Audit Committee and Board for further deliberations.</p>
Explanation for departure	:	NA
		NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 Group has implemented a formal approach to the risk management framework whereby a systematic and logical methodology risk management model has been adopted to ensure key risks are identified, evaluated, properly prioritised, owners identified with proper response time set and allowed for continuous improvement.</p> <p>The Management-level Risk Management Committee through their meetings ensures that the accountability for managing the significant risks identified is clearly assigned and that the identified risks affecting the Group and the Company are being satisfactorily addressed on an ongoing basis.</p> <p>Further details of the Group's risk management and internal control framework are provided in the Statement on Risk Management and Internal Control in the Annual Report.</p>
Explanation for departure	:	NA
		NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 Board outsourced the internal audit function to NGL Tricor Governance Sdn. Bhd. (“NGLTG”). The Internal Audit function reports directly to the Audit Committee on the adequacy and effectiveness of the system of internal controls in the operating units and the extent of compliance to the established processes, policies and procedures and applicable laws and regulations.</p> <p>The Audit Committee reviewed the Internal Audit Report presented by NGLTG during the Audit Committee meeting.</p> <p>The Internal Audit Function has adopted a risk-based approach and prepared its audit strategy and plan based on the risk profiles of the major business functions of the Group, and in accordance with the internal audit plan approved by the AC.</p> <p>The details and summary of work of the Internal Audit Function are further disclosed in the Audit Committee Report in the Company’s Annual Report.</p>
Explanation for departure	:	NA
		NA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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	:	<p>The internal audit function is outsourced to an independent professional firm, NGL Tricor Governance Sdn. Bhd. ("NGLTG") and reports directly to the Audit Committee. The person in charge is Mr. Chang Ming Chew ("Mr. Chang"), a Director of NGLTG.</p> <p>Mr. Chang is a Certified Internal Auditor® (CIA®) and holds a Certification in Risk Management Assurance® (CRMA®). He is a member with the Institute of Internal Auditors of Malaysia, the ISACA®, an international professional association focused on IT governance, the Association of Certified Fraud Examiner, the Association of Chartered Certified Accountants (UK); and the Malaysian Institute of Accountants.</p> <p>The internal audit carried out by internal audit function is guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors.</p> <p>The Audit Committee also received assurance from the outsourced Internal Audit Function that all assigned Internal Audit engagement team personnel remain independent, objective and free from any relationships or conflicts of interest in carrying out their Internal Audit duties throughout the engagement.</p> <p>The Board, through the Audit Committee had on 11 October 2019, reviewed and assessed the performance of NGLTL and was satisfied with the performance and deliverables of NGLTL.</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 11.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company uses various channels of communications as below to enable the Board and Management to continuously communicate, disclose and disseminate comprehensive and timely information to investors, shareholders, financial community and the public generally.</p> <ul style="list-style-type: none"> (i) the quarterly announcements on financial results and other periodical or relevant announcement to Bursa Malaysia Securities Berhad; (ii) circulars and annual report; (iii) general meetings of shareholders; (iv) meetings with investors, analysts and fund managers and briefing where appropriate; and (v) the Company's website at www.pestech-international.com where shareholders can access corporate information such as the Board Charter, Terms of References of the Board Committees, Company policies, press releases, financial information, Company announcements and etc. 	
Explanation for departure	:	NA	
		NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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 is not categorised as a Large Company under the Malaysian Code on Corporate Governance and hence, has not adopted integrated reporting based on a globally recognised framework. Nonetheless, the Company will consider to adopt integrated reporting in the future.</p> <p>Corporate information is disseminated via the Company's website and announcements are published on the website of Bursa Malaysia Securities Berhad. At present, the Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions.</p> <p>The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects. Components such as the Management and Discussion Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, as well as the Sustainability Statement, form an integral part of the non-financial information.</p> <p>Once the level of maturity of non-financial reporting practices is adequate and able to comply with global recognised integrated reporting standards, the Company will implement this as soon as it is practicable.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

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 Seventh Annual General Meeting (“AGM”) of the Company was held on 22 November 2018. The Notice of Seventh AGM was issued on 24 October 2018, which fulfilled the minimum 28 days’ notice period to be given to shareholders prior to the date of the AGM, which is in line with the recommendation of the Malaysian Code on Corporate Governance, as well as the requirements of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Notice for the Company’s upcoming Eighth AGM to be held on 27 November 2019 is given to the shareholders at least 28 days before the date of holding the Eighth AGM. The same practice will apply to future annual general meetings of the Company.</p> <p>The notice of AGM also provides detailed explanation for the resolutions proposed along with any background information and reports or recommendations that are relevant, where required and necessary, to enable shareholders to make informed decisions when exercising their voting rights.</p>	
Explanation for departure	:	NA	
		NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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 the Directors of the Company, senior management and other management personnel attended the Company's Seventh Annual General Meeting held on 22 November 2018. The External Auditors, Messrs Grant Thornton Malaysia were also in attendance to answer questions from shareholders on the audited financial statements, operation issues and the group's businesses.	
Explanation for departure	:	NA	
		NA	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NA	
Timeframe	:	NA	

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	:	NA
Explanation for departure	:	<p>In order to implement voting in absentia and remote shareholders' participation, the relevant provisions in the Company's Constitution convening of the general meetings would need to be updated to allow for shareholders to attend general meetings remotely in line with the expectations of the Malaysian Code on Corporate Governance.</p> <p>At the upcoming Eighth AGM, the Company will be tabling the proposed adoption of new Constitution of the Company for shareholders' approval. The Eighth AGM will be held at Saujana Hotel Kuala Lumpur, a strategic location which is easily accessible by its shareholders with free parking space and proximity to public transport.</p> <p>Shareholders are encouraged to attend general meetings. Shareholders who have questions and queries are welcome to submit questions or engage with Management separately. Management will endeavour to respond within a reasonable time. Shareholders are allowed to appoint any person as their proxies to attend, participate, speak and vote in his stead at a general meeting.</p> <p>The Company will explore the use of technology to allow voting in absentia or remote shareholders' participation. The Company will assess the necessity and viability for such facility taking into consideration the number of shareholders, the reliability of the technology and cost-benefit to the Company.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	NA
Timeframe	:	NA

**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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