

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0143
COMPANY NAME : Key ASIC Berhad
FINANCIAL YEAR : May 31, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The Board is responsible in formulating and reviewing of strategic plans, key policies and monitoring the Group's business operations. The Board delegates the day-to-day management of the Company's business to the management team but reserves for its consideration significant matters such as the following:-</p> <ul style="list-style-type: none"> ▪ Approval of financial results; ▪ Declaration of dividends; ▪ Risk appetite setting; ▪ Credit policy; ▪ Business (Acquisition/Disposal); ▪ Capital Expenditures; ▪ Corporate Proposal; and ▪ Budget <p>The Board's role is to oversee the performance of the Management to determine whether the business is properly managed. The Board gets updates from Management at the quarterly Board Meetings when reviewing the unaudited quarterly results. During the meeting, the Board participates in the discussion on the performance of the Group.</p> <p>The Board assumes the following responsibilities:-</p> <ul style="list-style-type: none"> ▪ Reviewing, adopting and monitoring strategic plan for the Group; <p>The Group's annual business plans and annual budget are presented to the Board for review and approval. The Board</p>

	<p>deliberates and reviews the progress of the Group’s business plans at least once in every quarter to ensure that the Group is steering towards the correct direction, which is also reflecting the latest market conditions and internal capabilities. Actual achievement is compared to the budget and causes of any shortfall are identified if any to facilitate the decision making by the Board.</p> <p>In conjunction with this, the Board reviews the annual budget for the reasonableness of the budget assumptions and the achievability of the budgeted financial results.</p> <p>The Board reviews the actual performance against the budgeted operational and financial performance of the Group on quarterly basis. Justifications will be provided by the key management should there be any material variances.</p> <ul style="list-style-type: none"> ▪ Overseeing the conduct of the Company’s business; <p>The CEO is responsible in overseeing the day-to-day management of the business operations of the Group. He is supported by a team of Senior Management and each divisional team is in turn guided by the written procedures established by the ISO9001:2008 standard and other internal controls as check and balance. The Board is updated on a quarterly basis on the summary of significant business activities and financial performance of the Group. With this, the Board is able to assess the performance of the Group through the updates from the Management.</p> <ul style="list-style-type: none"> ▪ Identifying risks and assume active role in ensuring the implementation of appropriate systems to manage or mitigate these risks; <p>Risk Management is regarded as an integral part of the business operations. With the system of Internal Control in place, and periodical review by internal and external parties to ensure full compliance in its commitment, the Board monitors any risk that might be faced by the business and operations of the Group. The key management personnel are then responsible in managing the identified risks.</p> <p>The Board is overall responsible for maintaining and ensuring the integrity of a sound system of Internal Control which supports effective and efficient operations to safeguard shareholders’ interests and the Group’s business and assets.</p> <p>The Statement of Risk Management and Internal Controls is set out on pages 31 to 34 of the 2020 Annual Report and provides an overview of the state of internal controls within the Group.</p> <ul style="list-style-type: none"> ▪ Succession planning, including appointing, training, fixing the compensation of the key managements;
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	<p>The Nomination Committee (“NC”) reviews the performance of the Board and the Board Committees. The Board will evaluate together with the NC the suitability and experience of potential candidates to fill in any gaps should there be such a need. Succession planning for key management personnel will be monitored by the Human Resource Department. The Board had at the recommendation made by the NC, approved and adopted a Succession Planning Policy. An interim executive transition committee shall be established as in the case of filling key executive position prior to the right permanent candidate is hired. The full written succession planning policy has been made available in our corporate website at www.keyasic.com for further reference.</p> <ul style="list-style-type: none"> ▪ Ensuring measures are in place to assess and oversee Management’s performance; <p>Management’s performance objectives are set annually and assessed on quarterly basis. Quarterly performance bonuses are awarded to those outstanding employees. Causes for those failing to achieve their own individual objectives are identified and corrective measures shall be put in place in order to help such employee to achieve its objective before the conclusion of the performance evaluation period.</p> <ul style="list-style-type: none"> ▪ Developing and implementing an investor relations programme or shareholder communications policy for the Group; and <p>The Board recognises the importance of communications to its shareholders and investors to ensure that they are well informed of the Group’s performance and latest developments. The Board ensures that the corporate website maintains up-to-date information. The website serves as a major platform to provide details of corporate information, financial results and also latest developments of the Group to shareholders and investors.</p> <ul style="list-style-type: none"> ▪ Reviewing the adequacy and integrity of the Group’s internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.
<p>Explanation for departure :</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

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 responsibilities of the Chairman should include leading the Board in the oversight of management and among others, includes the following roles and responsibilities:-</p> <ul style="list-style-type: none">(a) Providing support and guidance to Senior Management to assist and facilitate management succession planning;(b) Grooming and mentoring Senior Management to achieve consistently high levels of professionalism and excellent performances;(c) Chairing the Board and Board Executive Committee meetings;(d) Providing leadership to the Board and is responsible for the developmental needs of the Board;(e) Ensuring that guidelines and procedures are in place to govern the Board's operation and conduct;(f) Ensuring the smooth functioning of the Board and the Governance structure and inculcating positive culture in the Board; and(g) Ensuring that procedures and processes are in place to facilitate effective conduct of business by the Board. <p>The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and sufficient time is allowed for discussion. When chairing Board meetings, the Chairman ensures the following:-</p> <ul style="list-style-type: none">(a) All relevant issues are on the agenda of Board meetings;(b) Board debates strategic and critical issues;(c) Board receives the necessary management reports relating to the Company's business on a timely basis;(d) All directors are able to participate openly in discussions at Board meetings;(e) Providing leadership to the Board and is responsible for the developmental needs of the Board. <p>The Chairman of the Company also chairs at the general meetings of the Company and provide clarification on issues raised by the shareholders.</p>
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Although the positions of the Chairman and CEO are held by Eg Kah Yee, however the Board consists of a majority of Independent Directors. The Board collectively views that Eg Kah Yee's expertise is highly needed and the Board is confident that the current practice is best in maintaining the sustainability and the creativity of the Group in moving forward especially in time when the Group is struggling for profitability.	
		The board believes that this leadership structure improves the Board's ability to focus on key policy and operational issues. The Board evaluates the appropriateness of the dual roles of the Chairman and Chief Executive Officer performed by the same individual and ensures that the arrangement will continue to be in the best interests of the Company and its shareholders as a whole.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has direct access to the advice and services of the Company Secretary. The Company Secretaries are qualified to act in accordance with the requirements of the Companies Act, 2016.</p> <p>The Board is updated by the Company Secretary on new statutes and directives issued by the regulatory authorities. The Company Secretary has attended the Board and Committee meetings and ensured that all procedures are adhered.</p> <p>The roles of Company Secretary includes among others, the following:-</p> <ul style="list-style-type: none">(a) Ensure compliance of regulatory requirements by providing updates on Listing Requirements and the Companies Act 2016 to the Board;(b) Advise and remind the Directors of their obligations to disclose their interest in securities, any conflict of interest and related party transactions;(c) Advise and remind the Directors on the prohibition on dealing in securities during closed period and the restriction on disclosure of price sensitive information;(d) Prepare agenda items of meetings for Board and Board Committees and send to the respective Board and Board Committees;(e) Support the Board by ensuring adherence to Board practices and procedures, rules, relevant laws and best practices on Corporate Governance;(f) Attend all Board and Board Committee meetings to ensure that meetings are properly convened, and that accurate proper records of the proceedings and resolutions passed are made and maintained accordingly; and(g) Maintain a secured retrieval system which stores meeting paper and minutes of the Board and Board Committees. <p>The Company Secretaries also attend regular trainings to keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance.</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	:	All Directors, including Independent Non-Executive Directors, have full and timely access to information concerning the Company or other external information as they may feel necessary. Board papers and reports which include the Group's performance and major operational, financial and corporate information are distributed to the Directors 7 days prior to Board meetings to enable Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.	
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 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 has been established with the objectives to ensure that all Board Members are aware of their duties and responsibilities, the various legislations and regulations affecting their conduct, principles and practices of good corporate governance are applied accordingly. The Board Charter is reviewed periodically and updated in accordance with the needs of the Company and any new regulation that may have an impact on the discharge of the Board's responsibilities.</p> <p>The Board Charter was last reviewed and updated on 27 April 2018 and would be reviewed and updated periodically.</p> <p>This Board Charter is made available at the Company's website at www.keyasic.com</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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 had established the Code of Conduct and Ethics. The Code of Conduct and Ethics is based on the following principles:-</p> <ul style="list-style-type: none">(a) Conflicts of interest;(b) Corporate opportunities;(c) Protection of confidential information;(d) Protection and proper use of company assets;(e) Compliance with laws, rules and regulations;(f) Trading on inside information;(g) Compliance with this code and reporting of any illegal or unethical behaviour;(h) Bribery and corruption;(i) Money laundering;(j) Preventing the abuse of power; and(k) Waivers and amendments. <p>The Code of Conduct and Ethics was reviewed and updated on 27 April 2018 and will be reviewed and updated periodically.</p> <p>The Code of Conduct and Ethics is available on the Company's website at www.keyasic.com</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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 recognises the importance of whistle-blowing and is committed to maintain the standards of ethical conduct within the Group. The Company is committed to operating in compliance with all applicable laws, rules and regulations, including those concerning accounting and auditing, and prohibits fraudulent practices by any of its board members, officers and/or employees. The Board had established a whistle-blowing policy which outlines procedures for employees to report actions that an employee reasonably believes violate a law, or regulation or that constitutes fraudulent accounting or other practices. This policy applies to any matter which is related to the Company's business. This policy has accordingly been inserted in the employee manual/handbook.</p> <p>The Whistle-Blowing policy was reviewed and updated on 27 April 2018 and will be reviewed and updated periodically.</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	:	The current Board has five (5) members comprising one (1) Non-Independent, Executive Director/Chief Executive Officer (Chairman), and four (4) Independent Non-Executive Directors. The composition of the Board comprises of a majority of Independent Non-Executive Directors. The Board is satisfied that the current composition fairly reflects the investment of shareholders and balance in view of the Group's business. Together, the Directors bring a wide range of experience relevant to the direction and objectives of the Group as most of them are veteran in the semiconductor industry. A brief description of the background of each Director is presented on pages 3 to 5 of the 2020 Annual Report.
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	:	Applied - Two Tier Voting
Explanation on application of the practice	:	<p>Mr N. Chanthiran A/L Nagappan and Mr Benny T. Hu was first appointed as an Independent Non-Executive Directors on 14 December 2007 and 14 October 2009 respectively. They have both served the Board for more than nine (9) years.</p> <p>The Board has proposed to retain them as Independent Non-Executive Director of the Company and will be seeking shareholders' approval at the forthcoming AGM to retain Mr N. Chanthiran and Mr Benny Hu as Independent Non-Executive Director. The Board is of the view that the tenure has neither impaired nor compromised the independent judgement of Mr N. Chanthiran and Mr Benny Hu.</p> <p>A two-tier voting process would be adopted when seeking the shareholders' approval to retain Mr N. Chanthiran as Independent Non-Executive Directors of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>As documented in the approved Board Charter, the Board may exercise the power pursuant to the Constitution to appoint a person who is willing to act to be a Director either to fill a casual vacancy or as an additional Director upon appropriate recommendation by the Nomination Committee.</p> <p>The appointment of new directorship would be through a formal and transparent selection process and would take into consideration the evaluation of the candidates' abilities in terms of their skills, knowledge, experience, expertise and integrity to discharge their responsibilities. The Board recognises the importance of diversity and would take into consideration diversity in the selection process.</p>	
Explanation for departure	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of gender diversity and is committed to the extent practicable, to address the recommendation of the Code relating to the establishment of a policy formalising its approach to boardroom and workplace diversity.</p> <p>The Board has on 27 April 2018 adopted a Gender Diversity Policy. Diversity encompasses various areas such as gender, age, ethnicity and cultural background and the Board firmly believe that a well diversify workplace could benefit the Company to achieve:-</p> <ul style="list-style-type: none"> (a) a good morale between the workforce that leads to a healthy work culture where employees motivate each other to perform at a higher level; (b) With a gender-diverse workforce, the company can expand its customer base and offer better services; (c) improved employment and career development opportunities for women; (d) a gender-balanced team brings with it greater industry knowledge and helps the company access more resources, as well as multiple channels of information; and (e) awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity. <p>The appointment of Chen Chia-Yin reflects that the Board recognises the value of a lady member of the Board and is an initial step taken by the Board towards achieving a more gender diversified Board.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

Practice 4.6

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The appointment of Directors was based on recommendation from existing Board members.	
		However, the Board had through the NC assessed the qualification and suitability of the newly appointed Directors prior to the appointment.	
		The Board relies on the existing network and referrals from existing Board members, management and major shareholders as the primary means to source for new Directors as the Board deem that these referrals are able to source candidates with a sound understanding of the business of the Company.	
		Moving forward, the Company will practice to appoint headhunters as the first source on the next appointment.	
<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 Nomination Committee (“NC”) has two (2) members, all of whom are Independent Non-Executive Directors:</p> <ul style="list-style-type: none"> • Benny T. Hu @ Ting Wu Hu (Independent Non-Executive Director) • Chen, Chia-Yin (Independent Non-Executive Director) <p>The NC is chaired by Mr Benny T. Hu @ Ting Wu Hu.</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 assesses the effectiveness of the Board as a whole, Board Committees and contributions of each individual Director as well as their character, integrity and time commitment, independence of Independent Directors on annual basis. The NC reviews annually the required mix of skills and experience including core competencies which Non-Executive Directors should bring to the Board and other qualities for the Board to function effectively and efficiently.</p> <p>The summary of the assessment and its findings was tabled to the NC on 29 July 2020. Based on the summary as presented, the NC tabled its recommendations to the Board of Directors at the Board of Directors' Meeting held on 29 July 2020.</p> <p>The Board had also through the NC assessed the independence of the independent Directors and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. Based on the recommendations from the NC, the Board had also assessed and would be proposing to the shareholders' for approval the continuation in office of Mr N. Chanthiran and Mr Benny Hu as Independent Non-Executive Directors of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Company has established a remuneration policy for the Directors and Senior Management to support and drive business strategy and long-term objectives of the Company and its subsidiaries.</p> <p>Among others, the following are some of the criteria adopted by the Company and its subsidiaries in considering the remuneration of the Senior Management:-</p> <ul style="list-style-type: none">• The overall performance of the Company and its subsidiaries;• General economic situation;• Prevailing market practice;• Salary position against market;• Skills and experience; and• Individual performance <p>The Remuneration Committee ("RC") is responsible to implement the policies and procedures on the remuneration for the CEO whilst the Board is responsible for approving the policies and procedures which govern the remuneration of the employees including CEO and Senior Management of the Company to ensure the same remain competitive, appropriate and in alignment with the prevalent market practices and the Company attracts, retains and motivates the Directors and Senior Management who are with strong credentials, high calibre and astute insights to run the business successfully.</p> <p>The remuneration package is reflective of the individual Director's and Senior Management's experience and level of responsibilities and it is structured to link to corporate and individual performance. The RC is responsible for determining the level and make up of CEO's remuneration and approved by the Board, with the presence of a majority of non-executive directors. The CEO however, does not participate in any way when determining his remuneration package.</p>

	<p>All Directors except Eg Kah Yee, the Chief Executive Officer are paid fixed monthly directors' fees. The determination of the annual directors' fee and remuneration package for Directors is a matter for the Board as a whole, depending on any additional responsibilities taken. The directors' fee payable to Directors is presented to the shareholders at the Annual General Meeting for their approval.</p> <p>The Remuneration Policy of Directors and Senior Management was adopted by the Board on 27 April 2018. The Policy would be reviewed and updated periodically.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee ("RC") is responsible to implement policies and procedures relating to the remuneration of Executive Director, Non-Executive Directors and senior management. The duties and responsibilities of the RC are:-</p> <ul style="list-style-type: none">(a) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors;(b) To structure the component parts of the Executive Directors' remuneration so as to link rewards to corporate and individual performance; whereas, in the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned; and(c) Ensure the levels of remuneration are sufficient to attract and retain the directors needed to run the Company successfully. <p>The determination of remuneration packages of Non-Executive Directors, should be a matter for the Board as a whole with the individuals concerned abstaining from discussion on their own remuneration. The Board shall determine the remuneration packages taking into consideration the recommendations of the RC.</p> <p>With the establishment of the Remuneration Policy of Directors and Senior Management, RC is responsible to implement the policies and procedures as stated therein.</p> <p>The RC's Terms of Reference is available on the Company's website at www.keyasic.com</p>

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

Intended Outcome

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	:	In line with the Code, the disclosure of the Directors' remuneration is made on a named basis. Details of remuneration of Directors of the Company for FY 2020 are as follows:-		
			Group (RM)	Company (RM)
		Eg Kah Yee	90,000.00	90,000.00
		Benny T. Hu @ Ting Wu Hu	36,000.00	36,000.00
		N.Chanthiran a/l Nagappan	36,000.00	36,000.00
		Chen, Chia-Yin	36,000.00	36,000.00
		Prof. Low Teck Seng	36,000.00	36,000.00
Explanation for departure	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
Measure	:			
Timeframe	:			

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company respects the confidentiality of the remuneration of the Senior Management in view of the competitive nature of human resource market. Thus, the Company does not have the intention to adopt the recommendation to disclose the details of each member of senior management in bands of RM50,000 on a named basis.</p> <p>However, the Company would endeavour to ensure that the remuneration package of the employees are in line with the industry practices and the annual increments and bonuses pay-out are based on individual performances.</p>
<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	:	<p>The Audit Committee ("AC") has three (3) members all of whom are Independent Non-Executive Directors. The following are the members of the AC:-</p> <ul style="list-style-type: none">• Benny T. Hu @ Ting Wu Hu – Independent Non-Executive Director• N. Chanthiran a/l Nagappan - Independent Non-Executive Director• Chen, Chia-Yin – Independent Non-Executive Director <p>The AC is chaired by Mr Benny T. Hu @ Ting Wu Hu. The Chairman of the AC is not the Chairman of the Board.</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 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	None of the member of the AC were former key audit partners. The Terms of Reference of the AC states that no former key audit partner shall be appointed as a member of the AC, unless he/she has observed a cooling-off period of at least two (2) years before for such appointment.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a transparent relationship with the external auditors through the AC, which has been accorded the authority to communicate directly with the external auditors. The auditors in turn are able to highlight matters which require the attention of the Board to the AC in terms of compliance with the accounting standards and other related regulatory requirements.</p> <p>The AC undertakes annual assessment of the suitability and independence of the External Auditors. The factors considered by the AC in its assessment include, adequacy of professionalism and experience of the staff, the resources of the external auditors, the fees and the independence of and the level of non-audit services rendered to the Group.</p> <p>The AC is satisfied with the external auditors' confirmation of independence and their conduct of the audit in compliance with the Approved Standards of Auditing in Malaysia and International Standards of Auditing and compliance with the ethical requirements in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the Internal Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.</p> <p>The AC had on 29 July 2020 conducted an assessment on the suitability and independence of the External Auditors. Based on the assessment the AC was satisfied with Messrs CAS Malaysia PLT's competency, experience and independence. The Board, based on the AC's recommendation, would be tabling the re-appointment of Messrs CAS Malaysia PLT as the External Auditors of the Company at the Fifteenth AGM.</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 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	:	

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 AC are financially literate and have the relevant accounting or related experience and expertise to effectively discharge their duties.</p> <p>The AC members undertake continuous professional development by attending trainings, talks, workshops, conferences to keep themselves abreast with the relevant developments. During the financial year, the External Auditors had briefed the AC, updates on financial reporting developments and changes in regulatory environment.</p> <p>The Board is satisfied with the performance of the AC in fulfilling its duties.</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 recognises the importance of sound internal controls and risk management in safeguarding the assets of the Group. However, such systems are designed to manage rather than eliminate the business risk totally. It should be noted that any system could provide only reasonable and not absolute assurance against material misstatement or fraud.</p> <p>The Group has in place an on-going process to identify, evaluate, monitor and manage any significant risks through the internal controls set out in order to attain a reasonable assurance that business objectives have been met. These controls are regularly reviewed by the Board and subject to continuous improvement.</p> <p>The features of the Group's risk management and internal control framework covering the risk policy, risk appetite, risk assessment and the review process by the Board and Audit Committee and the key internal controls are presented in the Statement on Risk Management and Internal Control of the Annual Report. The Statement of Risk Management and Internal Controls is set out on pages 31 to 34 of the 2020 Annual Report and provides an overview of the state of internal controls within the Group.</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 Group has put in place an Enterprise Risk Management framework ("ERM") which comprises the following elements:</p> <ul style="list-style-type: none"> • Communicate and disseminate across the organisation the vision, role and direction of the Group; • Provide guiding principles and approach towards risk management; • Process of identification, assessment, evaluation and management of the various principal risks which affect the Group's business; • Creation of a risk-awareness culture and risk ownership for more effective management of risks; • Regular review, tracking and reporting on keys risks identified and corresponding mitigation procedures; and • Regular review of the effectiveness of the system of internal control. <p>The framework is applied to determine, evaluate and manage principal risks of the Group. This is complemented by the system of internal control that is integrated into the Group's operations and processes.</p> <p>The disclosure on the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework is set out on pages 31 to 34 of the 2020 Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Audit Committee will review the compliance with policies, procedures and standards, relevant external rules and regulations. The AC had assessed the adequacy and effectiveness of the Group's system of internal control and recommended appropriate actions to be taken where necessary.</p> <p>The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm to assist the Board and AC in providing independent assessment on the adequacy and effectiveness of the Group's system of internal control. The internal auditors have direct access and reports directly to the AC.</p> <p>The functions of the internal auditor are to ensure a regular review of the adequacy and integrity of its internal control system. The internal auditor will also be required to assist the Group in enhancing its existing risk management framework and adopting a risk-based approach based on COSO assessment model.</p> <p>The assessment of the internal audit are reported periodically to the AC. The recommendations arising from the internal audit and its implementations would be monitored.</p> <p>The Internal Auditors have conducted their work in consideration of the broad principles of the International Professional Practice Framework of Institute of Internal Auditors covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders.</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	:		
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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 Group has appointed an outsourced internal audit service provider to carry out the internal audit function. The purpose of the internal audit function is to provide the Board, through the Audit Committee, assurance of the effectiveness of the system of internal control in the Group.</p> <p>The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.</p> <p>The Internal audit functions is outsourced to an independent professional firm, Vaersa Advisory Sdn Bhd. The internal audit team is headed by Mr Quincy Gan who possesses the relevant qualification and experience and is assisted by four members.</p> <p>The Internal Auditors has confirmed their independence and no relationship with all the Board members and top management.</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 is committed to provide clear, accurate and timely disclosure of all material information to its stakeholders and the general public. The Company will ensure compliance with the disclosure requirements as set out in the Main Market Listing Requirements at all times.</p> <p>AGM also provides an effective means of face-to-face communication with the shareholders where they are encouraged to participate in the open question and answer session during the AGM.</p> <p>Corporate information, financial information, the Company's announcements and other related communications and information is available at 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

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	:	Not applicable as the Company is not a Large Company as defined under the MCCG.	
<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	:	Notice of the Fourteenth AGM is served to the shareholders on 30 September 2019, at least 28 days before the Fourteenth AGM which was held on 22 November 2019.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not all Directors were present at the Fourteenth AGM held on 22 November 2019 due to the hectic travelling schedules. However, the senior management and the external auditors were also present to respond to the shareholders' queries.	
		The Board is conducting a video conferencing for Directors who reside overseas to attend general meetings.	
<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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Based on the previous general meetings, the Company does not have a large number of shareholders to warrant voting in absentia and/ or remote shareholders' participation at AGM.</p> <p>Additionally, the Company's general meeting are held at prominent places within the Klang Valley which is easily accessible to all shareholders. The shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his/her stead at a general meetings.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

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

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