

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0080
COMPANY NAME : STRAITS INTER LOGISTICS BERHAD
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

Remark :

In order to provide the latest status update of the Company, this Disclosure on Corporate Governance also includes information up to 5 May 2020.

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 overall responsibility for the proper conduct of a Company's business in achieving the objectives and long-term goals of a Company.</p> <p>The Board assumes the following specific responsibilities to facilitate the discharge of the Board's stewardship responsibilities:</p> <ol style="list-style-type: none"> 1) To oversee the conduct of the Company's business and to evaluate whether the business is being properly managed; 2) To ensure sustainability of long-term return for the Company's shareholders; 3) To raise or restructure equity or debt capital of the Company; 4) To facilitate new investments, divestments, joint ventures and any other corporate exercise that requires approval of shareholders; 5) To review and approve quarterly financial results and annual financial statements; 6) To identify key risks which affect the Company and to ensure that the implementation of appropriate arrangements to manage these risks;

cont../ Practice 1.1

- 7) To review the adequacy and integrity of the Company's enterprise-wide risk management and internal control systems for compliance with applicable rules and regulations.

The Board provides leadership and exercise oversight within the established frameworks, policies and procedures and terms of reference. The Board is also guided by the Board Charter which outlines the duties and responsibilities of the Board. To ensure effective discharge of its duties and responsibilities, the Board is assisted by relevant Board Committees and the Group Managing Director.

In setting the Company's strategic aims, the Board relies on the reports provided by the Group Managing Director ("Group MD") who oversees the entire business and operations of the Group.

The Board is guided by its Board Charter ("Board Charter") which outlines the duties and responsibilities of the Board, and matters specifically reserved for the Board as well as to be delegated to Board Committees, the Group Managing Director ("Group MD") and Management.

The present Board composition comprises Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals enabling the Board to carry out its responsibilities effectively.

The Board has established three (3) Board Committees, namely, the Audit Committee ("AC"), Nomination & Remuneration Committee ("NRC") and Board Risk & Compliance Committee ("BRCC"), each operating within the defined Terms of Reference ("TOR"), to assist the Board in discharging its responsibilities.

While the Board Committees have their own functions and delegated roles, duties and responsibilities, the respective Board Committee Chairman will report to the Board on the outcome of the Board Committee meetings and resolutions, which would also include the key issues deliberated at the Board Committee meetings.

<p>cont../ Practice 1.1</p>	<p>The Group MD, assisted by the Executive Director, Senior Management Team, is responsible for the business and day-to-day Management of the Company. The Board will monitor the performance of the Group through the unaudited quarterly financial reports presented to the Board by the Group MD.</p> <p>The Board Charter and the TOR for each Board Committee can be found at the Straits’s website at http://www.straits-interlogistics.com.</p>	
<p>Explanation for departure</p>	<p>: N/A</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>:</p>	
<p>Timeframe</p>	<p>:</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>The Chairman of the Board is YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud. His profile can be viewed on page 10 of the Annual Report.</p> <p>The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board.</p> <p>The responsibilities of the Chairman as set out in the Board Charter are include, but not limited to the following:-</p> <ol style="list-style-type: none"> 1) To provide leadership to the Board; 2) To oversee the effective discharge of the Board's supervisory role; 3) To facilitate the effective contribution of all Directors. <p>The Chairman plays an instrumental role in providing leadership to the Board for all aspects of the Board's roles and responsibilities, ensuring that operations conform to the Board's strategic directions, Company's vision and corporate policies, as well as facilitating the communication and understanding between the Management and the Board.</p> <p>As Chairman, he sets the Board agenda and ensures that Board members receive complete and accurate information in a timely manner to enable robust and informed discussions to take place during Board meetings.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman, YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud and the Group MD, Dato' Sri Ho Kam Choy, both holding separate position and their respective roles and responsibilities are governed in the Company's Board Charter.</p> <p>The roles and responsibilities of the Chairman and Group MD are made clearly distinct to further enhance the existing balance of power and authority.</p> <p>The Group MD oversees the day to day Management and running of the Group and the implementation of the Board's decisions and policies.</p> <p>The Group MD is accountable for the operation and strategic development of the Group, and obliged to refer major matters to the Board.</p> <p>As the Board Chairman, YAM Dato' Seri Tengku Baharuddin led the Board to ensure the effectiveness of the Board.</p>
Explanation for departure	:	N/A
<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 Company has appointed two (2) Company Secretaries namely Puan Wan Haslinda Wan Yusoff and Mr. Sangar Nallappan who are members of the Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA) and Malaysian Association of Company Secretaries (MACS) respectively. Both Company Secretaries are qualified Secretaries under Section 235(2)(a) of the Companies Act 2016.</p> <p>The Company Secretaries are external Company Secretaries from MegaWan Corporate Secretarial PLT with vast knowledge and experience from being in public practice and is supported by a dedicated team of Company secretarial personnel.</p> <p>The Company Secretaries provide a central source of guidance and advice to the Board and its committee, on matters relating to application of good corporate governance practices and on compliance with relevant laws.</p> <p>All Board members have direct and unrestricted access to the advices and services of the Company Secretary who is qualified, experienced competent and knowledgeable on the laws and regulations, as well as directives issued by the regulatory authorities. The Directors are regularly updated and advised by the Company Secretary on the new statutory and regulatory requirements and the implication on the Company and the Directors in carrying out their fiduciary duties and responsibilities</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Directors have full and timely access to information concerning the Group. The Directors are provided with the relevant agenda and meeting papers in sufficient time prior to scheduled Board /Board Committee meetings to enable them to have an overview of matters to be discussed, or reviewed at the meetings and to seek further clarifications, if any.</p> <p>The Management and professional advisors are invited to attend meetings to provide additional insights and professional views, advice and explanation on specific items on the meeting agenda, where necessary. Minutes of meetings are circulated to the Board and Board Committees in a timely manner and signed by the respective Chairman as a correct record of the proceedings of the meetings based on confirmation from the Board and Board Committees.</p> <p>During the year, there were nine (9) Board meetings held to deliberate on financial and non-financial matters and decide on immediate strategic matters.</p> <p>In addition, there were seven (7) Audit Committee (AC) Meeting, three (3) Board Risk & Compliance Committee (BRCC) and one (1) Nomination & Remuneration Committee (NRC) meetings were held in FYE2019.</p> <p>The agenda together with the Board papers are disseminated to the Board via email prior to the meetings to enable them to study the matters which require their decisions or opinions. The Board seeks further information and clarification from the Management in order to make an informed decision, as and when necessary.</p>

<p>cont../ Practice 1.5 :</p>	<p>Further, the Management were invited to attend the Board Meetings to present and brief the Board on the relevant matters pertaining to their areas of responsibility as and when required.</p> <p>All deliberations and decisions of the Boards are properly recorded and documented by the Company Secretaries including whether any Directors abstained from voting and deliberating on the matter. Minutes of meetings are circulated to the Board members in a timely manner.</p>	
<p>Explanation for departure :</p>	<p>N/A</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>Timeframe :</p>		

Intended Outcome

There is demarcation of responsibilities between the Board, Board committees and Management.

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

Practice 2.1

The Board has a Board charter which is periodically reviewed and published on the Company’s website. The Board charter clearly identifies–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had established its Board Charter, outlining the respective roles and responsibilities of the Board, Board committees, individual Directors and Management; ultimate authority reserved for the Board and processes and procedures for the Board, its committee and Management in discharging their stewardship effectively and efficiently.</p> <p>The Board Charter stipulates the following key areas:-</p> <ul style="list-style-type: none"> • composition of the Board • duties and responsibilities of the Board • separation of powers between Chairman and Group MD • establishment of Board Committees • roles of Chairman • Board processes • Directors’ Code of Ethics • Conflict of Interest and Transaction involving Directors • Dealing in Securities <p>The Board Charter would be reviewed periodically and updated in accordance with the needs of the Company and any new regulations. Any amendments to the Board Charter shall be approved by the Board.</p> <p>The Board Charter is available on the Company’s website at http://www.straits-interlogistics.com</p>

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

Intended Outcome

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

The Board, Management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the Company.

Practice 3.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has in place a Code of Ethics to actively promote and establish a Corporate Culture which promotes ethical conduct that permeates through the Group. The Code of Ethics and Conduct outlines the standards of business conduct and ethical behaviour which the Directors and employees should possess in discharging their duties and responsibilities and to enhance the high standards of personal integrity and professionalism of the Directors.</p> <p>The Code of Ethics is made available on the Company's corporate website at http://www.straits-interlogistics.com</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

The Board, Management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the Company.

Practice 3.2

The Board establishes, reviews and together with Management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has in place a Whistleblowing Policy which is aimed at protecting integrity, impartiality and accountability where the Group conducts its business operations. The Whistleblowing Policy provides a structured reporting channel and guidance to all employees to whistle blow without the fear of victimisation.</p> <p>The Whistleblowing Policy also sets out avenues where legitimate concerns can be objectively investigated and addressed. Individuals would be able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal.</p> <p>The Whistleblowing Policy is available on the Company's website: http://www.straits-interlogistics.com</p>
Explanation for departure	:	N/A
<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	:	Departure												
Explanation on application of the practice	:													
Explanation for departure	:	<p>During the financial year under review, the Board comprises the following:-</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Composition</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Executive Director</td> <td>2/7</td> <td>28</td> </tr> <tr> <td>Non-Independent Non-Executive Director</td> <td>3/7</td> <td>43</td> </tr> <tr> <td>Independent Non-Executive Director</td> <td>2/7</td> <td>29</td> </tr> </tbody> </table> <p>The composition of the Board meets the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad of at least one-third (1/3) of the Board being independent.</p> <p>The Board composition consists of an experienced group of professionals from a diverse but related range of professional fields that are relevant to the Group's business goals and requirements. The accumulation of expertise and experience as well as the nurturing of an open and transparent discussion environment during Board meetings, have help to ensure healthy discussion and deliberation on Company's matters.</p> <p>The Independent Directors are essential in providing unbiased and independent opinion, advice and judgement thus plays a key role in corporate accountability.</p>	Category	Composition	%	Executive Director	2/7	28	Non-Independent Non-Executive Director	3/7	43	Independent Non-Executive Director	2/7	29
Category	Composition	%												
Executive Director	2/7	28												
Non-Independent Non-Executive Director	3/7	43												
Independent Non-Executive Director	2/7	29												

<p>cont../ Practice 4.1 :</p>	<p>The Independent Non-Executive Directors are persons of calibre and credibility with the ability to exercise independent judgment in the Board without fear or favour.</p> <p>Their role is to ensure that any decision of the Board is deliberated fully and objectively with regards to the long-term interests of all stakeholders</p> <p>Currently, the lack of majority Independent Directors in terms of delivering 50% of composition does not jeopardise independent Boards' deliberations and all decisions are made in the best interests of the Company.</p> <p>The NRC has assessed the Board composition and acknowledged that the current size and composition of Directors would need to be reviewed in order to provide a balance mix of gender and race required in the Boardroom. The Board is mindful of the recommendation of the MCCG that the Board must comprise of at least half of independent directors.</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>Timeframe :</p>		

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	
Explanation on application of the practice	:	The Board does not have any Independent Director who has served more than nine (9) years as at the date of this Report.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years as stated in the Board Charter.</p> <p>The Board Charter is available on the Company's website at http://www.straits-interlogistics.com</p>

Intended Outcome

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

Practice 4.4

Appointment of Board and senior Management are based on objective criteria, merit and with due regards to diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>Diversity at the Board and Senior Management level is one of the essential elements to support a balance and sustainable growth of the Group. Appointment of Board and Senior Management are based on merit basis with due regard for diversity in skills, attribute, experience, cultural and educational background, age and gender.</p> <p>In selecting the potential candidates for Key Senior Management, consideration was given to the attributes, merit, experience, skill and contribution that the candidate will bring to the Group. The Key Senior Management is of sufficient calibre to ensure effective functioning of the business operations</p> <p>The Group adopts non-discriminatory policy in employing talents to fulfil its human resource needs at all levels including Board especially in ensuring gender diversity.</p> <p>The Board is supportive of gender diversity in the Board’s composition and Senior Management. In relation to recommendation on gender diversity, the Board has appointed one (1) female director in the Company.</p> <p>The NRC and Board, upon its annual assessment, confirmed that the diversity of the existing Board’s composition has the requisite competencies and capacity to effectively oversee the overall businesses and handle all matters pertaining to the Group.</p>
Explanation for departure	:	N/A
<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 4.5

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 :	
Explanation for departure :	<p>The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximize the effectiveness of the Board.</p> <p>Board acknowledge the importance of Boardroom diversity and will commit to diversity at the leadership and employee levels. In tandem with the heightened emphasis on the dimension of gender, the Board ensures there is clear commitment to develop a corporate culture that also embraces the aspect of gender diversity.</p> <p>Though the Company does not have a policy on Gender Diversity, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender and has appointed one (1) female director in 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 :	.
Timeframe :	The Company has not set any timeframe.

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	The Board together with the Management would consider various sources, including independent sources if relevant, if it wishes to search for appropriate candidates to fulfil Board positions. The NRC would assess their suitability based on the relevant criteria as may be identified by the NRC from time to time.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the NRC is Mr. Ho Fook Meng who is an Independent Director.</p> <p>The composition of the NRC can be found on page 31 of the Annual Report.</p> <p>The Terms of Reference of the NRC is made available on the Company's website at http://www.straits-interlogistics.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 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.

<p>Application</p>	<p>: Applied</p>
<p>Explanation on application of the practice</p>	<p>: The Board, through the NRC, has conducted the following annual assessments to determine the effectiveness of the Board, its Committees and each individual Director for the financial year ended 31 December 2019 (“FYE 2019”) :-</p> <ul style="list-style-type: none"> (i) Directors’ self/peer evaluation (ii) Board and Board Committee performance evaluation (iii) Audit Committee (“AC”) members’ peer evaluation (iv) Assessment of Independent Directors <p>The current system of assessment is as below:-</p> <p>a) Directors’ self/peer assessment and Board and Board Committee performance evaluation.</p> <p>The annual assessment commences with the completion of two (2) sets of comprehensive assessment forms detailing all assessment criteria which must be completed by each Director on their own performance as well as the performance of all other Directors, the Board, and Board Committees during the financial year. Such assessment form will then be submitted to the Company Secretaries confidentially who will table the consolidated results to the NRC. Criteria for the self and peer assessment include ratings on their own knowledge, contribution, performance, calibre and commitment.</p>

<p>cont../ Practice 5.1 :</p>	<p>b) AC members' peer evaluation</p> <p>The annual assessment commences with the completion of a set of comprehensive assessment form detailing all assessment criteria which must be completed by each AC member on the performance of their AC peers during the financial year.</p> <p>Such assessment form will then be submitted to the Company Secretaries confidentially who will table the consolidated results to the NRC.</p> <p>c) Assessment of Independent Directors</p> <p>All Independent Directors had signed an undertaking / confirmation that they remain independent. The NRC had considered each Independent Director's independence and advised the Board accordingly.</p> <p>The results of the assessment are deliberated by the NRC and subsequently by the Board and key issues arising thereon are identified for further action to be taken by Executive Management.</p>	
<p>Explanation for departure :</p>	<p>N/A</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>N/A</p>	
<p>Timeframe :</p>		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board adopted the Board Remuneration Policy to determine the remuneration of Directors and Senior Management during the financial year ended 31 December 2019.</p> <p>The policies and procedures are periodically reviewed and made available on the Company's website at http://www.straits-interlogistics.com.</p> <p>The detailed remuneration of Executive Directors, Non-Executive Directors and the top two (2) Key Senior Management personnel are disclosed in the Corporate Governance Overview Statement on pages 33 to 35 of the 2019 Annual Report.</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 6.2

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 Board has a Nomination & Remuneration Committee ("NRC") to assist on matters relating to the remuneration of Directors and Senior Management personnel in the C-Suite category. The NRC is charged with the duties for developing, establishing and implementing competitive remuneration policies and packages for Directors and C-Suite Management personnel. The composition and activities of the NRC during the year under review are set out in the NRC report on page 31 to 32 of the Annual Report 2018.</p> <p>The NRC has written Terms of Reference ("TOR") to set out the authority, roles and responsibilities of the NRC.</p> <p>The TOR of the NRC is made available in the Company's website at http://www.straits-interlogistics.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	:	The detailed disclosure on named basis for the remuneration of individual Directors which includes fees, salary, bonus, benefits in-kind and other emoluments are stated in the Corporate Governance Overview Statement of page 33 to 34 of the 2019 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

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 RM50,000.00.

Application	:	Departure										
Explanation on application of the practice	:											
Explanation for departure	:	<p>The remuneration of the top two Key Senior Management Team of the Company for 2019 is as follows:-</p> <table border="1" data-bbox="651 928 1318 1291"> <thead> <tr> <th>Range of Remuneration per annum (RM)</th> <th>Key Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM 50,000 and below</td> <td>-</td> </tr> <tr> <td>RM 50,001 - RM 100,000</td> <td>-</td> </tr> <tr> <td>RM 100,001 – RM 200,000</td> <td>1</td> </tr> <tr> <td>RM 200,001 – RM 300,000</td> <td>1</td> </tr> </tbody> </table> <p>The remuneration of the top two (2) Key Senior Management of the Company disclosed above is on an aggregate basis.</p> <p>The Board has decided that the remuneration of Key Senior Management is not being disclosed on a named basis in order to allay valid concerns on invasion of staff confidentiality and that such disclosure may be detrimental to its business interest given the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the maritime industry.</p> <p>In addition, the Company is of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the Company's Key Senior Management who are not Directors of the Company.</p>	Range of Remuneration per annum (RM)	Key Senior Management	RM 50,000 and below	-	RM 50,001 - RM 100,000	-	RM 100,001 – RM 200,000	1	RM 200,001 – RM 300,000	1
Range of Remuneration per annum (RM)	Key Senior Management											
RM 50,000 and below	-											
RM 50,001 - RM 100,000	-											
RM 100,001 – RM 200,000	1											
RM 200,001 – RM 300,000	1											

cont../ Practice 7.2 :	The Board ensures that the remuneration of Key Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully. Excessive remuneration packages are not made to Key Senior Management personnel in any instance.	
<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	:	As an alternative, the Company has disclosed the remuneration of its top two (2) Key Senior Management personnel in the band of RM50,000 as disclosed in the Corporate Governance Overview Statement on page 35 of the 2019 Annual Report.

Intended Outcome

There is an effective and independent Audit Committee.

The Board is able to objectively review the Audit Committee’s findings and recommendations.
The Company’s financial statement is a reliable source of information.

Practice 8.1

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”) is chaired by Mr. Leong Fook Heng, who is an Independent & Non-Executive Director, while the Chairman of the Board is YAM Dato’ Seri Tengku Baharuddin Ibni Sultan Mahmud, a Non-Independent & Non-Executive Chairman. This had ensured that the objectivity of the Board’s review of the AC’s findings and recommendations is not impaired.</p> <p>The Chairman of the AC is a member of the Malaysian Institute of Accountants (“MIA”) and has vast experience in finance and corporate matters to lead discussions and deliberations related to financial issues and to review results and statements. His full profile can be viewed on page 15 of the 2019 Annual Report.</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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	To-date, the Company has not appointed a former audit partner to be a member of the Audit Committee. The above new policy will be established by the Board as and when need arises.	
<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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>It is the duty of the Audit Committee to annually assess the suitability, objectivity and independence of the external auditors, as set out in its Terms of Reference which is available on the Company's website at http://www.straits-interlogistics.com.</p> <p>During its meeting held on 20 April 2020, the AC formally assessed the suitability, effectiveness and independence of its External Auditors, namely Messrs. Moore Stephens Associates PLT ("Moore Stephens")</p> <p>The assessment will be conducted annually to assess the performance of the External Auditors prior to making a recommendation to the shareholders for re-election.</p> <p>The AC has assessed the performance of the External Auditors, Moore Stephens and was satisfied with the quality of the services rendered and the competency and sufficiency of resources provided for the Company.</p> <p>In view thereof, the Audit Committee recommended for Moore Stephens to be retained as the Company's External Auditors for financial year ending 2020. A resolution on the re-appointment of Moore Stephens as the Company's External Auditors will be tabled at the forthcoming 23rd AGM to be held on 22 June 2020.</p> <p>The Audit Committee has yet to formalize the policies and procedures to assess the suitability, objectivity and independency of the External Auditor.</p>

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	By Q4 2020

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	:	Not Adopted
Explanation on adoption of the practice	:	The members of the Audit Committee comprise majority Independent and Non-Executive Directors which in compliance with the ACE Market Listing Requirement. However, the Board is mindful of the recommendation of the Code.

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 Chairman of the Audit Committee, Mr Leong Fook Heng is an Associate Member of the Institute of Chartered Secretaries and Administrators (United Kingdom) and Associate Member of Chartered Institute of Management Accountants (United Kingdom). He is also a Member of the Malaysian Institute of Accountants.</p> <p>All members of the Audit Committee are financially literate and able to understand financial reports.</p> <p>The profile of the Audit Committee Members can be found on pages 14, 15 and 17 of the 2019 Annual Report.</p> <p>All Audit Committee members will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.</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 has established Board Risk & Compliance Committee ("BRCC") on 26 March 2018.</p> <p>The BRCC has the overall responsibility for overseeing the Group's risk Management system, approving appropriate risk Management practices and procedures to ensure effectiveness of risk identification, Management and monitoring.</p> <p>Its primary roles include the following:-</p> <ul style="list-style-type: none"> • To assist and promote risk awareness so that risk identification, evaluation and Management process and culture are adopted throughout the Group. • To ensure the effective implementation of risk policy and procedures. • To provide regular and timely reporting and update the Board on key risk Management issues as well as ad-hoc evaluation and reporting of new ventures/ investments proposals. • To ensure that risk Management is incorporated in the Statement of Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approval of the Board. <p>Details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management & Internal Control of the Company's Annual Report 2019.</p>

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

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Risk & Compliance Committee’s key function is to review the adequacy and effectiveness of risk Management of the Group. The Board Risk & Compliance Committee is responsible for identifying the key risks of all operating units within the Group and the Management action plans to mitigate these risks for report to the Board to ensure that the risk policies and procedures are aligned to the business strategies. It also reviews, assesses and ensures there is adequate framework for risk identification, measurement, monitoring and control.</p> <p>The monitoring of risk Management by the Group is enhanced by the internal audits carried out by the outsourced Internal Audit Function with specific audit objectives and business risks identified for each internal audit cycle based on an Internal Audit Plan approved by the Audit Committee.</p> <p>The Statement on Risk Management & Internal Control is stated on pages 40 to 43 of the 2019 Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board has established Board Risk & Compliance Committee to oversee the Company's risk Management framework and policies with assistance of the Risk Management Committee.</p> <p>Currently, the Board Risk Committee comprises one (1) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors.</p>

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 acknowledged that the overall responsibility in maintaining a sound risk management framework and system of internal control that provides reasonable assurance of effective and efficient operations and compliance with the internal procedures and guidelines</p> <p>The outsourced internal audit function provides the Audit Committee with periodic internal audit reported outlined the observations and recommendations to accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.</p> <p>Regular follow-up reviews were carried out to ensure that remedial actions in respect of internal control deficiencies, as recommended in the internal audit reports, have been adequately addressed and implemented by the management. Internal audits are carried out on a risk-based approach, in line with the Group’s objectives and policies, taking into consideration input from the senior management and the Board.</p> <p>Significant findings and recommendations for improvements are highlighted to the Audit Committee, with periodic follow-up and reviews of action plans.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The Board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit Function is outsourced to Messrs. NGL Tricor Governance Sdn Bhd. (“NGL”) and the internal audit staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The internal audit reviews, the findings of the internal audit, including the recommended corrective actions, potential risks, implications and Management responses, were presented directly to the Audit Committee.</p> <p>All internal audit personnel assigned by NGL to perform internal audit assignments for the Company do not have any relationships or conflict of interest with the Company, which could impair their independence and objectivity.</p> <p>The Outsourced Internal Auditor is staffed by 25 personnel as at 31 December 2019 and has assigned three (3) staff to provide internal audit services to the Company.</p> <p>The person responsible for the Outsourced IA is, Mr. Chang Ming Chew, a director of NGL. Mr. Chang is a Certified Internal Auditor and holds a Certification in Risk Management Assurance from the Institute of Internal Auditors; professional member of the Institute of Internal Auditors Malaysia; member of the Association of Chartered Certified Accountants (UK); and member with the Malaysian Institute of Accountants.</p>

cont../ Practice 10.2	:	NGL performed the internal audit work by referring to a recognized framework, such as the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of an effective, transparent and regular communication between the Company and its stakeholders to facilitate mutual understanding of each other’s objectives and expectations.</p> <p>The Company mainly communicates with shareholders, other stakeholders and the public through press releases, press conferences, timely announcements and disclosures made to Bursa Malaysia Securities Berhad.</p> <p>The Annual General Meeting remains the principal avenue for engaging and communicating with the shareholders. The participation of shareholders at Annual General Meeting to seek clarifications on the operation and financial performance of the Group is encouraged. It is also an avenue for the Chairman and Board members to respond personally to all queries and provide clarification on issues and concerns raised by the shareholders.</p> <p>The Board believes that the Annual Report together with the Management Discussion and Sustainability Statement is an important source of information that provides the stakeholders an overview of the Group’s business performance and financial position as well as the sustainability of its business.</p> <p>The Annual Report is also a key communication channel between the Company and its shareholders as well as stakeholders. It provides insightful explanations about the Group’s performance, operations, prospects as well as activities undertaken by the Group.</p>

cont../ Practice 11.1 :	<p>While the Company endeavours to provide as much information as possible to its stakeholders, the Board is mindful of the legal requirement governing the release of material and price-sensitive information. The Group had in place a Corporate Disclosure Policy to handle disclosure of material information to shareholders and investors. The policy ensures communication with the public are made in accordance with the obligation imposed by Bursa Securities and other regulators.</p> <p>The Group maintains its corporate website at http://www.straits-interlogistics.com for shareholders and the public to access information relating to its businesses, financial performance, operations and corporate development through annual reports, quarterly reports, circulars and various announcements on a timely manner..</p> <p>The Company's Annual Report can be obtained by accessing the Company's website at http://www.straits-interlogistics.com</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Applied	
Explanation on application of the practice	:	Though the Company is not categorised as a "Large Company" under the Malaysian Code on Corporate Governance, the Company has adopted integrated reporting based on a globally recognised framework.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 Annual Report together with the notice of AGM is circulated at least twenty-eight (28) days before the meeting date to provide shareholders sufficient time to go through the Annual Report and make the necessary attendance and voting arrangement at the AGM. Each item of special business included in the notice of the meeting will be accompanied by a full explanation on the effects of a proposed resolution.</p> <p>The Company continuously applied this Practice. For its 22nd Annual General Meeting held on 19 June 2019, the Company issued the notice on 25 April 2019, which represents a notice period of more than 28 clear days.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors attended the Company's 22nd AGM held on 19 June 2019, to engage directly with the shareholders.</p> <p>The Chairman of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee as well as the External Auditors and the Management were present to response to all questions from the shareholders. Shareholders were invited to raise questions during the open question and answer session.</p> <p>The Management and External Auditors were also present at the Company's 22nd AGM to respond to the shareholders' queries.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company's AGM was held within the capital city limits and has always been in Klang Valley and not in remote location.</p> <p>The venue for the last AGM was at One World Hotel, Bandar Utama City Centre. This venue was easily accessible and was familiar to most shareholders.</p> <p>For shareholders who are unable to attend the AGM, the shareholders can appoint their proxies or duly authorised attorney or representatives to attend the meeting for and on their behalf.</p> <p>The Company had in the 22nd AGM held on 22 June 2019 amended its Constitution to allow members to participate the meeting via video conferencing, web-based communication, electronic or any other such communication facilities and technologies.</p> <p>The Board will continue to monitor the developments in the market in respect of new technologies that facilitate the conduct of meetings remotely and may consider implementing the same when 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	:	
Timeframe	:	

**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.

NOT APPLICABLE
