

STOCK CODE : 6963
COMPANY NAME : V.S. INDUSTRY BERHAD
FINANCIAL YEAR : July 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors (“the Board”) takes full responsibilities for the overall corporate governance and strategic direction of V.S. Industry Berhad (“VSI” or “the Company”) and its subsidiaries (collectively referred to as “VSI Group” or “the Group”). In discharging its fiduciary duties within a framework founded on transparency, integrity and accountability, the Board ensures that it aligns the interests of the Board and Management with that of shareholders and all stakeholders.</p> <p>The Board provides thought leadership and advice in fine-tuning corporate strategies and business model, championing good corporate governance practices, overseeing risk management and internal control system to ensure an optimum balance of a sound and sustainable business operation. The Board also ensures that the necessary resources are in place for the Company to meet its objectives and review management performance.</p> <p>The Board is assisted by three (3) Board Committees, namely, Audit Committee (“AC”), Nomination Committee (“NC”) and Remuneration Committee (“RC”) to ensure appropriate checks and balances in discharging its oversight function. Each Committee operates under clearly defined Terms of Reference (“TOR”) as approved by the Board to oversee and deliberate matters within their purviews. The ultimate responsibility for the final decision on all matters, however, lies with the Board.</p> <p>The AC and the Board met with representatives from Management on a quarterly basis where Management reported on the performance and results of the business of the Company and the Group which are benchmarked against the previous reporting period / year, as applicable.</p> <p>During financial year ended 31 July 2018 (“FY2018”), the Board also discussed sustainability topics such as business expansion and development as well as succession planning for the executive leadership and expansion of independent voice on the Board.</p> <p>The drive for excellence throughout the Group is driven by tone from the top as enshrined in the Group’s Vision and Mission Statements. The Board has also established clear functions reserved for the Board, Board Committees, Directors and those delegated to Management. The Board is responsible for the overall business framework within which the Group operates.</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 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by Dato' Beh Kim Ling, Executive Chairman. His profile is outlined under the Profile of Directors in the Annual Report 2018.</p> <p>The Chairman leads the governance activities on the Board, creates a conducive environment geared towards building and enhancing the Board's effectiveness and ensures that all strategic and critical issues are discussed by the Board in a timely manner.</p> <p>The Chairman also acts as a facilitator at Board meetings to ensure that no Board member dominates discussion for healthy discussion to take place by fostering free expression of views and constructive debate on all issues pertinent to the welfare and future of the Group to achieve optimum decision-making by the Board.</p> <p>The roles and responsibilities of the Chairman of the Board are stated in the Board Charter, which is available on the Company's website at www.vs-i.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

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The roles and responsibilities of CEO in the Company is assumed by the MD (Managing Director). The Board has always made the distinction that the position of the Chairman and MD does not reside with the same person to ensure organisational check and balance for better governance. The MD is Datuk Gan Sem Yam. Their respective roles and responsibilities are segregated to engender accountability and avoid unfettered powers in decision-making.</p> <p>The MD is responsible for the executive management of the Group's business and implementing operational decisions and managing day-to-day operations. He is supported by the Executive Directors and management team in implementing the Group's strategic plan and overseeing the operations and business development of 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

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 is supported by professionally qualified and competent Company Secretaries. Both Company Secretaries of the Company are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 as they are the members of the MAICSA (Malaysian Institute of Chartered Secretaries & Administrators) and MIA (Malaysian Institute of Accountants), as applicable.</p> <p>The Company Secretaries play an advisory role to the Board, particularly with regard to the Board policies and procedures, corporate disclosure obligations, compliance with statutory and regulatory requirements and adoption of corporate governance best practices.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The notice of Board and Board Committees meeting together with Board papers are circulated to the Directors at least one (1) week prior to each meeting. This is to accord sufficient time for the Directors to study and evaluate the matters to be discussed and obtain further information and/or clarification from the Management or the Company Secretaries, where necessary, prior to meeting to expedite decision-making process.</p> <p>The Company Secretaries always ensure proper minutes of all proceedings of the meetings such as the issues raised, deliberations and decisions of the Board and Board Committees, including matters where Directors abstained from voting or deliberation. The minutes of the meetings will be circulated to the Directors and confirmed by the respective Chairman at the subsequent meetings.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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>There is a Board Charter which serves as a guiding literature to the Board in the fulfilment of its fiduciary and leadership functions. The Board Charter clearly delineates the respective roles and responsibilities of the Board, Board Committees and Management as well as a schedule of matters reserved for collective decision of the Board.</p> <p>In July 2018, the Board had reviewed and approved amendments to the Board Charter to enhance governance practices on the Board in line with the principles of good corporate governance in the Malaysian Code on Corporate Governance (“MCCG”) and the requirements of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).</p> <p>The updated Board Charter is published on the Company’s website at www.vsi.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board observes the Company Directors' Code of Ethics as established by the Suruhanjaya Syarikat Malaysia (Companies Commission of Malaysia or "SSM") and published on SSM's website.</p> <p>Adherence this and the Whistleblowing Policy under Principle 3.2 by all in the performance of their duties is essential to maintain the Group's reputation for fair and ethical practices among customers, suppliers, shareholders, employees, communities and other stakeholders. Working with a strong sense of integrity is essential to achieve the Group's business goals in an open, honest, ethical and principled manner.</p> <p>The Code of Ethics is available on the Company's corporate website at www.vsi.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has put in place a Whistleblowing Policy which allows the whistle blower(s) to raise concerns about actual or potential corporate fraud or breach of ethics involving any Directors, management or employees of the Group.</p> <p>The policy fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrongdoing within the Group,</p> <p>The Whistleblowing Policy is available on the Company’s website at www.vsi.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure												
Explanation on application of the practice	:													
Explanation for departure	:	<p>The current Board comprised of nine (9) members with four (4) being Independent Non-Executive Directors (“INEDs”).</p> <table border="1"><thead><tr><th>Directorate</th><th>Director(s)</th></tr></thead><tbody><tr><td>Executive Chairman</td><td>Datuk Beh Kim Ling</td></tr><tr><td>Managing Director</td><td>Datuk Gan Sem Yam</td></tr><tr><td>Executive Directors</td><td>Datin Gan Chu Cheng (her alternate, Chong Chin Siong) Dato’ Gan Tiong Sia (his alternate, Beh Chern Wei) Ng Yong Kang (his alternate, Gan Pee Yong)</td></tr><tr><td>Senior INED</td><td>Tan Sri Mohd Nadzmi Bin Mohd Salleh</td></tr><tr><td>INEDs</td><td>Pan Swee Keat Tang Sim Cheow Diong Tai Pew</td></tr></tbody></table> <p>The Board is in compliance with paragraph 15.02 of the MMLR of Bursa Securities, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are Independent Directors.</p> <p>The Board is mindful that the Board does not comprise at least half of INEDs and is of the view that the present INEDs, with the breadth of professional background, have enabled the Board to exercise objective judgement on various issues and decisions are made through their sharing of impartial, objective and unbiased opinion and viewpoints.</p>	Directorate	Director(s)	Executive Chairman	Datuk Beh Kim Ling	Managing Director	Datuk Gan Sem Yam	Executive Directors	Datin Gan Chu Cheng (her alternate, Chong Chin Siong) Dato’ Gan Tiong Sia (his alternate, Beh Chern Wei) Ng Yong Kang (his alternate, Gan Pee Yong)	Senior INED	Tan Sri Mohd Nadzmi Bin Mohd Salleh	INEDs	Pan Swee Keat Tang Sim Cheow Diong Tai Pew
Directorate	Director(s)													
Executive Chairman	Datuk Beh Kim Ling													
Managing Director	Datuk Gan Sem Yam													
Executive Directors	Datin Gan Chu Cheng (her alternate, Chong Chin Siong) Dato’ Gan Tiong Sia (his alternate, Beh Chern Wei) Ng Yong Kang (his alternate, Gan Pee Yong)													
Senior INED	Tan Sri Mohd Nadzmi Bin Mohd Salleh													
INEDs	Pan Swee Keat Tang Sim Cheow Diong Tai Pew													
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
Measure	:	<p>As a safeguard measure, the Board has in place the AC, NC and RC to assist the Board with oversight functions in selected responsibility areas.</p> <p>The current composition of the Board Committees, made up of a majority of INEDs affirmed the Board’s commitment towards independence in Board leadership and provide strong check and balance in the Board’s governance function. There is no individual Director or group of Directors who has unfettered powers or assumes a dominant position in the Board’s decision making process.</p> <p>The independence of each INED is reviewed by the NC on an annual basis. Thus far, all INEDs have satisfied the independence criteria as defined under paragraph 1.01 of the MMLR of Bursa Securities and they are able to continue exercise objective judgment in the Board’s decision making process.</p>												

	Therefore, the lack of the necessary number of INEDs does not jeopardise the independence of Board deliberations and all decisions have been made in the best interest of the Company and the Group. Nonetheless the Board will address Board succession planning in the near future to ensure that INEDs at least form 50% of Board composition. Nonetheless the Board will address Board succession planning in the near future to ensure that INEDs at least form 50% of Board composition.	
Timeframe	:	Two to three years

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>The Board with the recommendation of the NC must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as INED after serving a cumulative or consecutive term of nine (9) years. In the event the Board continues to retain the Independent Director after the twelfth (12th) year, annual shareholders' approval must be sought through a two-tier voting process to retain the said Director as an Independent Director.</p> <p>There are four (4) INEDs on the Board presently. As at to-date, three (3) of the INEDs, namely, Tan Sri Mohd Nadzmi Bin Mohd Salleh, Pan Swee Keat and Tang Sim Cheow, have all served on the Board for a cumulative or consecutive term of more than twelve (12) years. The three (3) of them were retained as INEDs at the annual general meeting ("AGM") held in January 2018 through a two-tier voting process.</p> <p>The Board had, through NC, assessed the independence of its INEDs and is satisfied that the INEDs have demonstrated independence in their conduct and behaviour and that each of them is independent of the management and free from any business or other relationships which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and the Group. As such, the Board will recommend for Tan Sri Mohd Nadzmi Bin Mohd Salleh, Pan Swee Keat and Tang Sim Cheow to be retained as INEDs subject to shareholders' approval at the forthcoming AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<p>The Company does not have a policy which limits the tenure of its INEDs to 9 years presently as the Board viewed that the mere fact that a Director has served on a board for a substantial period does not mean that he has become too close to management or his independence has been compromised by his length of service.</p> <p>In the event the Board intends to retain a Director as INED after the latter has served a cumulative/consecutive term of nine (9) years, the Board must justify the decision and seek shareholders' approval at AGM.</p> <p>The Board will continue to undertake a 2-tier voting at the coming AGM for the retention of Tan Sri Mohd Nadzmi Bin Mohd Salleh, Pan Swee Keat and Tang Sim Cheow as INEDs as all of them had served more than 12 years in that position.</p>

Intended Outcome

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

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>Diversity at the Board and Senior Management level is one of the essential elements in supporting sustainable and balanced development towards achieving the Group's strategic objectives. All appointments of Board member and Senior Management have been and will be based on objective criteria, merit and also due regard for diversity in experience, skills, age and cultural background.</p> <p>The present Directors, with their diverse background and professional specialisation, collectively, bring with them a wealth of experience and expertise in areas such as engineering, manufacturing, strategic planning, general management, sales and marketing, finance and accounting, banking and tax. As such, the Group is essentially led and guided by a competent 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

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>Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.</p> <p>The presence of the Executive Director, Datin Gan Chu Cheng, testifies to the Group's commitment on gender diversity.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The issue of diversity has been discussed and given prominence during deliberations by the NC and the Board. The NC will be actively searching for a woman candidate to join the Board to address the gender imbalance in composition of Board. Nevertheless, it will take some time for the Board and the NC to identify and select a suitably well qualified female director.
Timeframe	:	Two to three years

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	:	There were three (3) new appointments to the Board during FY2018 with two (2) for Alternate Directors as part of succession planning for executive Board members and the last for a new INED. These new Board members were recommended by various Board members.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	<p>The Board is of the view that recommendation of candidates from Board members is one of useful approach in identifying suitable candidates. Nonetheless, candidates will still be vetted through by the Nomination Committee against objective criteria, merit with due regard for diversity in experience, skills set, age and cultural background.</p> <p>Nonetheless, the NC is open to utilise a variety of approaches and independent sources to identify suitably qualified candidate(s) for consideration as Director and will ensure that the procedures for evaluating and selecting new Director are transparent and formal with the appointment made on merit basis.</p>
Timeframe	:	As and when required

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 conducts an annual review of the effectiveness of the Board and Board Committees as well as the performance of each individual Director. The assessment is administered via customised questionnaires, using a self and peer-rating model for continuous improvement.</p> <p>The Committee reviews annually the required mix of skills and experience for Directors and assesses the contributions of each individual Director and the effectiveness of the Board Committees and the Board as a whole. Furthermore, the NC reviews the size and composition of the Board with particular consideration on the impact on the effective functioning of the Board.</p> <p>Annual assessment on effectiveness of the Board and Board Committees as a whole has been conducted based on specific criteria, include, among others, individual Director's knowledge and experience in the Group's core business, personal qualities, professional skills and business development skills.</p> <p>The NC had also reviewed and assessed the independence of the Independent Directors based on the Directors' professionalism and integrity in the decision-making process, ability to form independent judgments, as well as objectivity and clarity in deliberations in addition to the specific criteria of independence as set out in the MMLR of Bursa Securities.</p> <p>Based on the outcome of evaluation for the financial year under review, the NC and the Board were satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director is satisfactory.</p> <p>The NC believes that the current Board composition is well balanced with the right mix of high-calibre individuals with the necessary skills, qualification, experience, knowledge, credibility, independence and core competencies.</p> <p>Thereafter, the results and deliberations at the NC are noted by the Board. All assessments and evaluations carried out by the NC in the discharge of all its functions are documented.</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 an executive remuneration package in place to attract, retain, motivate and reward Directors of the calibre needed to lead the Group towards success. Essentially, the Board took the approach for the remuneration to be reward based in which remuneration packages will fairly remunerate the executive Board members for their contribution to the Group.</p> <p>The components of the remuneration package for the Executive Directors include fixed salary, fixed fees, allowance, bonus, performance incentive and benefits-in-kind. The Executive Directors played no part in deciding their own remuneration and the respective Board members shall abstain from all discussion pertaining to their remuneration.</p> <p>As for Non-Executive Directors, the level of remuneration is reflective of their experience, expertise, knowledge, level of responsibilities and the onerous challenges in discharging their fiduciary duties. The determination of Directors' fees for all Directors shall be a matter for the Board as a whole.</p> <p>The INEDs receive fixed fees.</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	:	The RC comprised majority of INEDs. Its present composition is as follows:
		Chairman Pan Swee Keat
		Members Tang Sim Cheow Datuk Gan Sem Yam
		The RC's key activities during FY2018 are as disclosed in the Annual Report 2018. The TOR of RC is accessible for reference on the corporate website at www.vsi.com.my .
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	:	<p>The fees for the Directors are endorsed by the Board of Directors for approval by the shareholders at the AGM prior to payment.</p> <p>The remuneration received / receivable by the Directors of the Group and the Company for FY2018 is as tabulated:</p> <p>Group level</p> <table border="1"> <thead> <tr> <th></th> <th>Salaries and other emoluments¹</th> <th>Fees</th> <th>Benefits-in-kind</th> <th>Incentives and share based benefits²</th> <th>Total</th> </tr> <tr> <th>Directors</th> <th>RM' million</th> <th>RM' million</th> <th>RM' million</th> <th>RM' million</th> <th>RM' million</th> </tr> </thead> <tbody> <tr> <td>Datuk Beh Kim Ling</td> <td>5.024</td> <td>0.018</td> <td>-</td> <td>1.766</td> <td>6.808</td> </tr> <tr> <td>Datuk Gan Sem Yam</td> <td>4.075</td> <td>0.047</td> <td>0.028</td> <td>1.766</td> <td>5.916</td> </tr> <tr> <td>Datin Gan Chu Cheng</td> <td>2.705</td> <td>0.009</td> <td>0.040</td> <td>1.394</td> <td>4.148</td> </tr> <tr> <td>Dato' Gan Tiong Sia</td> <td>2.414</td> <td>0.108</td> <td>0.028</td> <td>1.278</td> <td>3.828</td> </tr> <tr> <td>Ng Yong Kang</td> <td>1.610</td> <td>0.015</td> <td>0.028</td> <td>0.599</td> <td>2.252</td> </tr> <tr> <td>Chong Chin Siong</td> <td>0.943</td> <td>0.009</td> <td>0.024</td> <td>0.614</td> <td>1.590</td> </tr> <tr> <td>Beh Chern Wei</td> <td>0.393</td> <td>0.003</td> <td>-</td> <td>0.745</td> <td>1.141</td> </tr> <tr> <td>Gan Pee Yong</td> <td>0.239</td> <td>0.003</td> <td>0.010</td> <td>0.596</td> <td>0.848</td> </tr> <tr> <td>Tan Sri Mohd Nadzmi</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Bin Mohd Salleh</td> <td>-</td> <td>0.136</td> <td>-</td> <td>0.008</td> <td>0.144</td> </tr> <tr> <td>Pan Swee Keat</td> <td>-</td> <td>0.158</td> <td>-</td> <td>0.008</td> <td>0.166</td> </tr> <tr> <td>Tang Sim Cheow</td> <td>-</td> <td>0.294</td> <td>-</td> <td>0.031</td> <td>0.325</td> </tr> <tr> <td>Diong Tai Pew</td> <td>-</td> <td>0.088</td> 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	² This comprised performance incentive and equity settled share based transaction.	
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	:	The Board is aware of the need for transparency in the disclosure of the remuneration of its Senior Management. Nonetheless, it is of the view that such disclosure could be detrimental to its business interests given the highly competitive human resource environment in which the Group operates where intense headhunting for personnel with the right expertise, knowledge and relevant working experience is the norm. As such, disclosure of specific remuneration information of senior management personnel (who are not the Directors) could give rise to recruitment and talent retention issues going forward.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board assures that the remuneration of the Senior Management commensurate with the level of responsibilities, individual performance and the overall performance of the Group. Excessive remuneration pay-out is not made to the Senior Management personnel in any instance.
Timeframe	:	Two to three years

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	:	This is Not Adopted in view of the basis as disclosed under Practice 7.2.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the AC is an INED. Details on the composition and other pertinent facts of the AC are outlined under the AC Report in this Annual Report. The TOR of the AC is accessible for reference on the corporate website at www.vsi.com .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	<p>None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the AC.</p> <p>As such, there was no need to establish such policy presently. The policy will be established when the need arise in future. The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC is a former key audit partner.</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 8.3

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 AC undertakes an annual assessment of the suitability and independence of the external auditors and is satisfied with the level of independent and performance of the external auditors including quality of audit review procedures, adequacy of audit firm's expertise, its resources to carry out the audit work according to the audit plan.</p> <p>The AC has considered the non-audit services provided by the external auditors during financial year under review and concluded that the provision of these services did not compromise the external auditors' independence and objectivity.</p> <p>The external auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with professional and regulatory requirements.</p> <p>A summary of activities of the AC during the financial year under review is set out in the AC Report in the Annual Report 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The present composition of the AC comprises wholly of INEDs..

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 AC currently comprised of members with professional experience in financial, taxation, general management, strategic planning and business environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the AC the ability to effectively discharge their roles and responsibilities.</p> <p>The Chairman of the AC is a member of Malaysian Institute of Accountants.</p> <p>The members of the AC will continue to undergo training programmes from time to time to address any skills or knowledge gaps according to their needs.</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 acknowledges its overall responsibility for maintaining a sound risk management framework and internal control system. The Board is accountable for reviewing and monitoring the Group's risk management and internal control system which provides reasonable assurance of an effective and efficient operation, compliance with laws and regulations and to safeguard shareholders' investment and the Group's assets.</p> <p>Recognising the importance of risk management, there is a formal and structured Risk Management Framework ("RMF") in place to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.</p> <p>In line with the MMLR of Bursa Securities and the Code, the Group has also established its internal audit function by setting up an in-house internal audit team, to carry out internal audit of the Group.</p> <p>The key features of the RMF and details of the Company's internal control system and internal audit's scope of work during the financial year under review are provided in the Statement on Risk management and Internal Control in this 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 9.2

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 recognises that identification, evaluation and management of significant risks faced by the Group is an ongoing process.</p> <p>Continuous reviews are carried out by the Group's internal audit function and management to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The findings of the internal audit function are reported to the AC regularly.</p> <p>The Board has received assurance from the MD and the Group Financial Controller that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement.</p> <p>Based on this assurance, the input from relevant assurance providers, as well as its review, the Board is of the view that the Group's risk management and internal control system is satisfactory to meet the Group's needs and has not resulted in any material losses, contingencies or uncertainties that require disclosure in the Group's annual report.</p> <p>The Statement on Risk Management and Internal Control in the Annual Report 2018 provides an overview on the state of internal controls and risk management 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 9.3 - 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	:	<p>The Company has a Risk Management Committee ("RMC") which comprised of three (3) executive Board members and 2 INEDs.</p> <p>The non-adoption arose only in respect of the composition of the RMC which has yet to comprise majority of INEDs.</p> <p>The Group has a RMC led by the MD. The RMC, with support from the in-house internal audit team, has assisted the Board in fulfilling its oversight functions in the risk governance by establishing a sound internal control and risk management framework to manage the various risks faced by the Group with the overall responsibility for overseeing the risk management activities of the Group and approving the appropriate risk management procedures and measurement methodologies across the Group.</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 Group's internal audit function is handled independently by its in-house Internal Audit Department which is independent of the activities and operations it audits.</p> <p>The internal audit function reports directly to the AC on a quarterly basis. The principal role of the internal audit function is to undertake independent, regular and systematic reviews of the internal control system to provide reasonable assurance on the adequacy and integrity of the risk management system, internal control and governance of the Group to safeguard the Group's assets and resources.</p> <p>The activities of the internal auditors during the financial period are set out in the AC Report in the Annual Report 2018.</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 Group's internal audit function is carried out by its in-house Internal Audit Department which is led by Mr Ng Chee Siang.</p> <p>The total expenses incurred for internal audit amounted to RM1.2 million for FY2018.</p> <p>The AC is satisfied that the internal audit function has sufficient resources and is able to access information to undertake its duties effectively. The internal audit personnel are independent from the operational activities of the Group and do not hold management authority and responsibility over the operations that internal audit covers in its scope of works, which could impair their objectivity and independence.</p> <p>The internal audit is carried out in accordance with the Internal Audit Plan as approved by the AC and all audit findings arising therefrom are reported directly to the AC. The internal audit team adopts a risk-based approach towards the planning and conduct of their audits, and this is consistent with the Group's approach in designing, implementing and monitoring its internal control system.</p> <p>The activities of the internal auditors during the financial period are set out in the AC Report in the Annual Report 2018.</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 Board recognises the need for comprehensive, timely and accurate disclosures of all material Company information to the public so as to ensure a credible and responsible market in which participants conduct themselves with the highest standards of due diligence and investors have access to timely and accurate information to facilitate the evaluation of securities.</p> <p>However, whilst the Group endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.</p> <p>The Board observes the Corporate Disclosure Guide as issued by Bursa Securities which is calibrated in line with the disclosure requirements as stipulated in the MMLR of Bursa Securities, and also setting out the protocols for disclosing material information to shareholders and stakeholders.</p> <p>The shareholders and other stakeholders are kept informed of all major corporate developments and activities of the Group through the Annual Reports, quarterly results, circulars to shareholders and various announcements.</p> <p>The Board has designated a dedicated section for "Investors" on the Company's website where updates on the corporate information, Group structure, Directors' Profile, announcement and corporate governance can be accessed. The contact details of designated persons to address any queries are also published on the corporate website at www.vs-i.com.</p> <p>Another key avenue of communication with its shareholders is the Company's AGM, which serves as the principal forum for dialogue with shareholders where they may raise question or seek clarification on the Company's performance and business operations.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the view that the existing Annual Report provides a holistic overview of the Group's business and operational activities as non-financial information are disclosed through the Sustainability Statement, Management Discussion & Analysis and the Audit Committee Report to complement the financial information.</p> <p>The present Sustainability Statement has incorporated certain elements of integrated reporting such as organisation overview, governance policies and performance. These represent the Board's commitment towards sustainability and a more comprehensive reporting going forward.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Nonetheless, the Board would suggest for an interim period for the awareness of Integrated Reporting to be better appreciated by Management personnel before it is adopted.
Timeframe	:	Three to five years

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 notice for the 35th AGM on 5 January 2018 has been provided more than twenty-eight (28) days in advance.</p> <p>The notice for the upcoming 36th AGM on 4 January 2019 will be provided more than twenty-eight (28) days in advance to enable shareholders to make adequate preparation.</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>The Board acknowledges its responsibility to engage shareholders' participation at the general meetings and provide meaningful responses to their concerns and queries.</p> <p>As a testament to this commitment, a majority of the Directors (comprising the executive Board members and the Chairman of the various Board Committees) had attended the 35th AGM and Extraordinary General Meeting held on 5 January 2018.</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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Based on an analysis of the investors, the Company does not have a large number of shareholders. Also, a large majority of investors are Malaysians. Further, all general meetings are held at the prominent hotel, which is easily accessible to all shareholders. As such, there is no concern over voting in absentia and/or remote shareholders' participation at AGM.</p> <p>As of now, the Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders are unable to attend and vote in person at general meetings and maintain the same location for the AGM for the past years.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:	Three to five years	

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

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

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