

CORPORATE GOVERNANCE REPORT

STOCK CODE : 8125
COMPANY NAME : Daibochi Plastic And Packaging Industry Bhd
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO 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	:	<ul style="list-style-type: none"> • The Board provides effective leadership by setting appropriate values and strategic direction to ensure that the objectives of the Group are achieved. • All Directors are expected to discharge their fiduciary duties and leadership functions objectively at all times in the interests of the Group. • There are clearly defined matters reserved for the Board's decision, whilst those not specifically reserved for the Board and which are necessary for the day to day management of the Company are delegated to the Managing Director and the Management team to optimise operational efficiency. • The Board has delegated certain functions to various Board Committees (BCs) i.e. the Audit Committee (AC), Nomination Committee (NC), Remuneration Committee (RC) and Risk Management Committee (RMC). The BCs assist the Board in discharging its duties efficiently and have their own established charters/terms of reference in place, which are reviewed from time to time. BCs are chaired by an Independent Non-Executive Director (INED) to promote good governance and transparency. • The Board's roles and responsibilities are as follows: <ul style="list-style-type: none"> ➤ <u>Promote good corporate governance culture within the Group</u> <ul style="list-style-type: none"> - The Board sets the "tone at the top" for the Group's governance standards by promoting a strong culture of integrity, prudent, professional and ethical behaviour. - Management ensures that the corporate governance framework is implemented through well-defined policies and procedures to enhance business efficacy, performance and accountability. ➤ <u>Management of the Group's business</u> <ul style="list-style-type: none"> - Management's performance is assessed by the Board via monthly management reports/accounts which are tabled to the Board.

- Any additional information that the Board requires is promptly supplied by Management. The General Manager, Corporate and Finance, Sales and Marketing and Operations attend Board meetings to present relevant updates and clarify issues raised by the Board members.
- The review of the Strategic Plan, which includes the Group's performance, also enables the Board to assess Management's progress/achievement in the first half of the year and on a yearly basis.

Collectively, these enable the Board to review, monitor and oversee Management to determine whether the business is properly managed and keep abreast of challenges, risks and opportunities.

➤ Strategic Plan

- The Strategic Plan, with information on the Group's performance, financial and operational highlights, strategies, key business indicators, research and development/technology, quality control and human resource matters is presented to the Board on a half yearly basis.
- In developing the Strategic Plan, Management takes into account the sustainability of the Group's business, with attention given to the changes in the external environment and internal developments.
- During the financial year, the Managing Director presented the Strategic Plan; encompassing the Group's financial performance, key business opportunities, challenges/risks, competitors' updates and operational statistics to the Board. The Board was also updated on the progress of the issues highlighted in the Strategic Plan at subsequent Board meetings by the Managing Director and Executive Director (ED).
- Strategies approved by the Board were conveyed by Management to the respective heads of departments. The annual budget for the ensuing year was also tabled to the Board for approval.
- Building a sustainable business is integral to the Group's long term business growth. The Board ensures that the Company's strategies and policies promote sustainability by providing innovative products for our customers and keeping up with ethical, governance, environmental, economic and social concerns. The management of the Company's economic, environment and social matters for the financial year is reported in Daibochi's inaugural Sustainability Statement in the 2017 Annual Report (Annual Report).

➤ Risk management framework and internal control systems

- The Board is responsible for the Group's risk management framework and system of internal controls and for reviewing its adequacy and effectiveness.
- There is a structured process for identifying, evaluating, mitigating and monitoring risks to ensure prudent risk management of the Group's business and operations.

	<ul style="list-style-type: none"> - Processes are reviewed, taking into account changes in the regulatory and business environment to ensure the adequacy and effectiveness of risk management and internal controls. - The RMC supports the Board in terms of risk governance. Details of the Group's risk management framework and internal control systems are set out in the Risk Management and Internal Control Statement in the Annual Report. <p>➤ <u>Succession planning of the Board and senior management</u></p> <ul style="list-style-type: none"> - All candidates appointed to the Board and senior management positions are of sufficient calibre and measures are in place to provide for orderly succession of senior management positions in the Company. The NC assists the Board in relation to the recommendation of potential candidates for appointment. - Management has internal programmes in place to identify, nurture and train employees with high potential in view of retaining the best talents to ensure the continued success and sustainability of the Group's business. - The Board is focused in ensuring that individuals with appropriate skills and experience are appointed to the Board to ensure continuity as well as progressive and orderly renewal of the Board and senior management in achieving the Group's vision and mission. <p>➤ <u>Effective communication with stakeholders</u></p> <ul style="list-style-type: none"> - Daibochi has an open communications policy which allows the Board and Management to communicate effectively with its shareholders and other stakeholders. Details of the corporate disclosure framework and practices are set out in Practice 11.1 herein. <p>➤ <u>Integrity of the Group's financial and non-financial reporting</u></p> <ul style="list-style-type: none"> - The Board ensures that the financial statements comply with applicable Financial Reporting Standards and presents a balanced assessment of the Group's position.
Explanation for departure :	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
Measure :	
Timeframe :	

Intended Outcome

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 :	<ul style="list-style-type: none"> • Mr. Heng Fu Joe, an INED, was appointed as the Chairman of the Board on November 1, 2017, upon the retirement of Mr. P. James Edwin A/L Louis Pushparatnam (Mr. James Edwin) as Chairman and INED. • The Chairman is responsible for the orderly conduct and workings of the Board and the effectiveness of its governance process. In fulfilling this role, the Chairman: <ul style="list-style-type: none"> ➢ Provides leadership to the Board to enable the Directors to perform their duties and responsibilities effectively; ➢ Promotes a conducive environment and open culture which allows for debate and constructive challenge during Board meetings; ➢ Encourages constructive relations between the Board and Management, and between the Managing Director, ED and INEDs; ➢ Ensures positive, effective and constructive dialogue between shareholders, the Board and Management at general meetings; ➢ Takes the lead role to maintain high standards of corporate governance with the full support of the Directors, Company Secretaries and Management. • The Chairman is also the Senior Independent Director of the Board and acts as: <ul style="list-style-type: none"> ➢ the intermediary for other Directors when necessary; and ➢ the point of contact for shareholders and other stakeholders. 	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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 :	<ul style="list-style-type: none"> • The positions of the Chairman and the Managing Director are held by two (2) individuals with distinct and separate functions. • Their roles are kept separate to ensure an optimal balance of power, increased accountability and greater capacity of the Board for independent decision-making. This ensures that no one individual has unfettered powers of decision making. • The Chairman, Mr. Heng Fu Joe (INED) leads the Board in its collective oversight of Management. He encourages open/constructive debates and challenges Management when necessary, to ensure high standards of corporate governance. • The Managing Director, Mr. Lim Soo Koon makes strategic proposals to the Board, develops the Group's businesses in accordance with strategies, policies, budgets and business plans as approved by the Board, oversees operations and provides guidance and leadership to employees of the Company. • The Chairman works closely with the Managing Director and Company Secretaries on matters to be tabled at meetings and fosters constructive interactions with the shareholders at the general meetings. • The separation of responsibilities is further reinforced as the Chairman is not someone who has previously served as the Chief Executive Officer/Managing Director of the Company. 	
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 :	<ul style="list-style-type: none"> • The Directors have access to the advice and services of qualified and competent Company Secretaries to enable them to discharge their duties effectively. One of them is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants, whilst the other is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators. • The Company Secretaries attend all Board meetings and assist the Chairman and Directors in the conduct of meetings and in the discharge of their governance obligations. • The Company Secretaries ensure that all necessary information is obtained from Directors e.g. in relation to related party transactions, conflict of interest situations and dealings in the Company's shares, both for the Company's own records and for the purposes of meeting statutory/regulatory requirements. • In order to play an effective advisory role to the Board, the Company Secretaries always keep abreast with the changes in corporate laws, regulatory requirements and best practices in corporate governance, through continuous training. The Company Secretaries attended trainings in 2017 to keep themselves updated on laws/regulations and corporate governance matters. • The Board is also regularly updated and kept informed of the latest developments in the laws and regulatory framework by the Company Secretaries. In 2017, the Company Secretaries updated the Board on the Companies Act 2016 and the Malaysian Code on Corporate Governance (MCCG). • The appointment and removal of the Company Secretaries are subject to the Board's approval. 	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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 Board is kept well-informed of the Group's business and affairs. This enables members to engage in open and constructive debates, challenge Management on assumptions/proposals, make a balanced and informed assessment of matters and arrive at a considered decision.</p> <p>In this regard:</p> <ul style="list-style-type: none">• Directors have access to all information pertaining to the Group and may seek clarification from Management in the furtherance of their duties.• On important matters which require the Board's decisions, prior briefings, if necessary, are provided or conveyed by the Managing Director and ED to other Board members to ensure full knowledge and understanding, thus enhancing the members' comprehension of Board papers before deliberations.• Board meeting materials are circulated at least five (5) business days in advance of the meetings to facilitate robust discussions. Any additional information requested by Directors will be made available prior to the meetings.• Briefings are provided by Management to the Board at Board meetings and these include operational and financial performance of the Group, updates on competitors, challenges/risks and opportunities as well as industry developments.• External advisors may be invited to attend Board meetings to advise and/or furnish the Board with professional insight, information and clarification needed on relevant items on the meeting agenda. Briefings are also provided by the Company Secretaries and Management on all material announcements prior to approval and release to Bursa Malaysia.• All proceedings of the meetings are prepared in a timely manner and reflect the decision making process of the Board appropriately. Minutes of meetings are circulated to all members for their perusal prior to confirmation of the minutes at the following Board/BCs' meetings. Minutes are then signed by the respective Chairpersons in accordance with the Company's Constitution.

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	:	<ul style="list-style-type: none"> • The Board Charter sets out the Board's strategic intent and serves as a source of reference to facilitate the effective discharge of the Board's duties. The charter assists in ensuring that the Company's mission of being the "<i>Preferred Supplier of our Customers</i>" and vision to attain superiority in services and supplies of flexible packaging materials are achieved. • The roles and responsibilities of the Board (including key matters reserved for the Board), BCs, Chairman, individual Directors, Managing Director, EDs, INEDs, Management and the Company Secretaries are clearly outlined in the Board Charter. • Key matters reserved for the Board's review/approval include: <ul style="list-style-type: none"> ➤ <i>Strategy and management</i>: The Board is responsible for the overall strategic direction of the Group, long-term objectives and goals, budget, overseeing the business and potential expansion into new business ventures. ➤ <i>Structure and capital</i>: Changes relating to the Group's capital structure, issuance of shares and share buybacks, corporate structure and listing status are subject to the Board's approval. ➤ <i>Finance</i>: The Group's financial statements, quarterly reports, dividend policy, significant changes in accounting policies/practices and acquisition and disposal of assets exceeding RM1 million in value require the Board's approval. ➤ <i>Internal controls</i>: To ensure that there is a sound system of internal control and risk management in place. ➤ <i>Board membership and other appointments</i>: Changes to the size and composition of the Board, succession planning for the Board and senior management, appointment and removal of the Company Secretaries, appointment, reappointment and removal of the External Auditors (EA), appointment and removal of the Internal Auditors (IA) and remuneration policy/incentives for Directors are within the Board's purview. • The Board Charter emphasises that continuous training is essential to enable Directors to discharge their duties effectively.

	<ul style="list-style-type: none"> ➤ In this regard, Directors are empowered by the Board to evaluate and assess their own training needs on a continuous basis. ➤ The Company Secretaries assist with the co-ordination of continuous training to ensure that Directors are updated on corporate governance and other relevant matters. ➤ During the financial year, the Directors assessed their own training needs and informed the Company Secretaries of training programmes that they wish to attend to upgrade themselves. ➤ All the Directors attended trainings during the financial year and the list of programs attended is set out in the Corporate Governance Overview Statement in the Annual Report. • Procedures are also in place in the Board Charter for the Board/individual Director to seek independent professional advice at the Company's expense, if necessary. <ul style="list-style-type: none"> ➤ The Board or the individual Director shall inform the Company Secretaries prior to engaging an independent professional adviser. ➤ The engagement shall be subject to the Chairman or INEDs' approval, depending on the quantum of fees involved. ➤ The independent professional advice shall be circulated to all Board members as soon as it is available. ➤ Neither the Board nor the individual Directors sought independent professional advice during the financial year under review. • The charter is reviewed to ensure its relevance in assisting the Board to discharge its duties in line with the changes in corporate laws and requirements and to remain consistent with the Board's responsibilities and objectives. The Board Charter was reviewed on December 8, 2017 and revisions were approved in line with the MCCG and Bursa Malaysia's Listing Requirements (Listing Requirements). The Board Charter is published on the Company's corporate website at www.daibochi.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

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	:	<ul style="list-style-type: none"> • The Company's Code of Conduct and Ethics governs the standards of ethics and good conduct expected of Directors and employees respectively, premised on the principles of honesty and integrity as follows: <ul style="list-style-type: none"> ➤ Compliance with laws, rules and regulations; ➤ Conduct business with honesty and integrity; ➤ Treat employees fairly, with dignity and respect; ➤ Employees must act in the best interest of the Company; and ➤ Conduct business in an environmentally responsible manner. • The code is available in the Company's Employee Handbook which is provided to employees to ensure awareness and adherence to Daibochi's values and principles. • The Directors' Code of Ethics ensures that Board members act in accordance with the principles of sincerity, integrity, accountability and social responsibility. • The Board reviews the codes, as and when deemed necessary; to ensure that they remain consistent with Daibochi's commitment to establish a corporate culture with ethical values that permeates throughout the Company. <p>The codes are published on the Company's corporate website at www.daibochi.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Board, together with Management has established a <i>Whistleblowing Policy</i> to provide an avenue for employees and stakeholders to report in good faith, genuine concerns about unethical behaviour and improper conduct within the Company, without fear of reprisal.• Employees and stakeholders who reasonably and in good faith believe that malpractices exist within the Company are able to report their concerns to the AC Chairperson or the INEDs.• The Board is pleased to report that the AC Chairperson and/or the INEDs did not receive any concerns/complaints of any malpractices that exist within the Company, via the whistle blowing channel during the financial year.• The <i>Whistleblowing Policy</i>, which is available on the Company's corporate website at www.daibochi.com was revised on November 20, 2017 to further enhance our internal control procedures.
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 of independent directors.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The current Board comprises a majority of Independent Directors: two (2) EDs and three (3) INEDs (including the Chairman). • The INEDs bring strong independent judgment, knowledge, skills and experience to Board deliberations during the decision making process and challenge Management, where necessary, to ensure high standards of corporate governance. • The INEDs ensure that the interests of the minority shareholders and other stakeholders are given due consideration in discussions of the various issues and matters affecting the Group. • The INEDs provide impartial, unbiased and objective views, advice and judgement to ensure proper check and balance in the Board. • Having considered the NC's annual assessment, the Board is satisfied with the independence of the INEDs as they: <ul style="list-style-type: none"> ➢ fulfil the criteria of independence, as defined in the Listing Requirements; ➢ are not engaged in the day-to-day management of the Company or are involved in any other relationship with the Company (other than those permitted by the applicable regulations); and ➢ have exercised independent judgment in Board deliberations to ensure that Board decisions are made objectively in the best interests of the Group. • The INEDs have also provided their annual confirmation of independence to the NC.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application :	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice :		
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board is cognisant that a diversified Board and senior management, with an effective combination of skills, expertise, professional experience, nationality, gender, age and cultural background would offer different viewpoints, valuable insights, innovative solutions and ideas that are beneficial to the Group. • The NC is guided by the <i>Board Diversity Policy</i>, published on the Company's website at www.daibochi.com in relation to matters concerning the appointment of Board members. • The NC gives due consideration to age, gender, cultural background and experience and ensures that potential candidates comply with the provisions of the Listing Requirements and the MCCG to augment diversity in the Boardroom and in relation to senior management positions. Any potential conflicts of interest are also taken into consideration in the NC's selection criteria. • In the case of an Independent Director, the NC will also assess the suitability of the potential candidate based on the definition of independence in the Listing Requirements and whether the candidate can bring independent and objective judgment to Board deliberations. • During the year, the NC reviewed Mr. Faris Salim Cassim's (Mr. Faris Cassim) credentials and assessed him according to the requirements in the <i>Board Diversity Policy</i>, prior to recommending his appointment to the Board on September 1, 2017. Further details on Mr. Faris Cassim's appointment are disclosed in Practice 4.6 herein.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	: Departure
Explanation on application of the practice	:
Explanation for departure	: <ul style="list-style-type: none"> • The Board acknowledges the role that women with the right competencies and skills can play in contributing to diversity of perspective in the Boardroom. Accordingly, the NC duly considers gender diversity in identifying, evaluating and recommending appointments to the Board. • Currently, Ms. Caroline Ang Choo Bee (Ms. Caroline Ang), an INED is the female Director of the Company. There is also strong representation of women at management level in the Company in accordance with our <i>Workplace Diversity Policy</i> i.e. there are two (2) women in the seven (7) member strong senior management team (excluding the EDs). • The Board is of the view that gender is but one aspect of diversity and whilst it is important to promote gender diversity, the selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge should remain a priority. • The Board, through the NC, reviewed the proportion of the female to male Board members during the annual assessment of the Directors' performance. The Board concurred with the NC on April 4, 2018 that the current Board composition of five (5) members, with a combination of diverse personalities, skills, expertise and core competencies provides a range of perspectives and is conducive for quality decision making. • On April 4, 2018, the Board revised the <i>Board Diversity Policy</i> and set the target of having at least one (1) woman Director on the Board. The Board remains committed to take the necessary measures, through the NC, towards promoting gender diversity and appointing the best qualified person based on merit when changes in the Boardroom are contemplated. <p>The five (5) Board members have diverse expertise in accounting, business, financial, engineering, legal, corporate, equity markets, management, business development and marketing. Collectively, they bring insightful depth, maturity and diversity of perspectives to the leadership and management of the Company/Group. This ensures that Board decisions are made objectively in the best interest of the Company/Group.</p>

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

Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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 :	<ul style="list-style-type: none">• The NC adheres to a formal and transparent procedure for the nomination and appointment of new Directors before submitting its recommendation for the Board's decision.• Prospective candidates are identified from a number of sources, including but not limited to Directors', shareholders or Management's recommendations. The NC is also open to utilise independent sources to identify suitably qualified candidates as stated in its terms of reference, which is available on the Company's website at www.daibochi.com.• The NC seeks suitable candidates from diverse professional and business backgrounds who have the character, qualifications, experience, integrity, competence and time to effectively discharge his/her role as a Director.• The NC meets with the prospective candidate, if required, to ascertain the candidate's suitability for appointment as a Board member. The prospective/shortlisted candidate's profile and the NC's recommendation will then be submitted to the Board for approval. The NC will arrange for the Board members to meet the prospective candidate if requested by the Board.• In the case of an Independent Director, the NC will also assess the suitability of the candidate based on the definition of independence in the Listing Requirements and whether the candidate can bring independent and objective judgment to Board deliberations. Potential conflicts of interest (if any) are also taken into account.• Mr. Faris Cassim's appointment to the Board on September 1, 2017 was based on merit, i.e. based on his qualifications, skills, relevant experience and knowledge as well as competence, integrity, credibility and time to effectively discharge his role as an INED of the Company. The NC also considered his independence i.e. independent of Management and free from any business or other relationship which could interfere with the exercise of objective judgement or the ability to act in the best interests of the Company/Group.• The Board believes that its transparent procedure on the appointment of Directors ensures that the best qualified individuals, with diverse professional backgrounds are appointed to the Board.

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	:	<ul style="list-style-type: none"> • The NC is chaired by the Senior Independent Director and its composition is as follows: <ol style="list-style-type: none"> 1. Mr. Heng Fu Joe (Chairman, INED) (Appointed as NC Chairman on November 1, 2017 upon the retirement of Mr. James Edwin as Chairman and INED). 2. Ms. Caroline Ang (INED) (Appointed as a member on September 1, 2017). 3. Mr. Faris Cassim (INED) (Appointed as a member on September 1, 2017). • The Senior Independent Director leads the NC's assessment of the effectiveness of the Board and BCs, performance of individual Directors, independence of the INEDs, Board diversity, appointments and succession planning in an objective manner. • The NC's authority and duties are governed by its written terms of reference and are available on the Company's corporate website at www.daibochi.com. The terms of reference was revised on December 8, 2017 to reflect the application of this Practice.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application :	Applied
Explanation on application of the practice :	<ul style="list-style-type: none">• The Board has implemented an annual assessment process for the NC to carry out the required assessments of the Board, BCs, Directors and members of the BCs.• The Board's assessment process involves having the Directors complete questionnaires, which will then be collated by the Company Secretaries and forwarded to the NC members for their evaluation and sharing with the Board members.• The elements of the questionnaires for assessing the Board's effectiveness encompass a variety of matters. These include the Board's mix and composition i.e. whether the Board has the right blend of knowledge and experience to optimise performance, quality of information and decision making, matters discussed in accordance with roles and responsibilities, Chairman's ability to lead the Board effectively and understanding of respective roles by the Chairman and the Managing Director.• The assessment of the effectiveness of the BCs includes its composition, assistance provided to the Board in better decision making, whether the members have sufficient and relevant expertise in discharging their responsibilities, their attendance at meetings of the BCs and whether communications to the Board are of sufficient quality and provided on a timely basis.• The assessment of individual Directors are based on their attendance at Board/BCs' meetings, contribution/participation in meetings, industry and business knowledge, expertise, dedication, time commitment and value that they bring to the Board.• Having considered the annual assessment undertaken by the NC, the Board confirmed as follows on April 4, 2018: <u>Board and Directors</u><ul style="list-style-type: none">➤ The composition and size of the Board is well balanced and commensurate with the scale and nature of the Group's business.➤ There is an appropriate mix of Directors with experience, expertise, stature and academic qualifications.

- The Directors possess the necessary core competencies to lead and govern the Group effectively and bring diverse views and perspectives to Board deliberations and discussions.
- The number of Board members is conducive for efficient deliberations at Board meetings and effective decision-making.
- The Board members have devoted sufficient time to undertake their duties to contribute to the development of the Group's strategy and the performance of its business.

Board Committees

- The BCs are operating efficiently and effectively in assisting the Board. The members of these committees have sufficient knowledge, skills and expertise in fulfilling their roles and responsibilities.

Re-election of Directors

- In accordance with Article 94 of the Company's Constitution, all newly appointed Directors are subject to re-election by the shareholders at the first annual general meeting (AGM) after their appointment. Article 103 of the Company's Constitution requires one-third of the Directors, or the number nearest to but not less than one-third, to retire by rotation at every AGM.
- The performance of the Directors who are subject to re-election were reviewed and assessed by the NC. The NC then submitted its recommendations on the proposed re-election to the Board for approval.
- Mr. Low Geoff Jin Wei (Mr. Low) and Mr. Faris Cassim are due for re-election pursuant to Articles 103 and 94 of the Company's Constitution at the forthcoming AGM.
- The Board is satisfied that:
 - Mr. Low (ED) has met the Board's expectations and exemplified commitment as reflected by his professional conduct, development of corporate strategies and sharing of valuable information/insights to the Board and Management.
 - Mr. Faris Cassim (INED) has extensive experience in corporate and M&A law, corporate finance and equity capital markets and has demonstrated independent and objective judgment to Board deliberations to ensure sufficient check and balance.
 - Both Directors have also allocated sufficient time and attention to the affairs of the Company and have carried out their fiduciary duties professionally.
- Hence, the Board with the abstention of the two (2) Directors unanimously recommended shareholders to vote in favour of the re-election of the above Directors at the Company's AGM. The information of each Director is furnished in the Profile of Directors section in the 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

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	:	<ul style="list-style-type: none"> • The Board has policies/procedures to determine the remuneration of Directors and senior management in the RC's terms of reference. The terms are available on Daibochi's website at www.daibochi.com and are reviewed, as and when deemed necessary. • The RC recommends to the Board the remuneration of the EDs, in all forms. The remuneration of the INEDs and the EDs will be a matter to be determined by the Board as a whole, with the Director concerned abstaining from deliberations and voting on the decisions regarding his/her individual remuneration. • The RC and the Board ensure that the Company's remuneration package is responsive to market elements, fair and sufficiently attractive to attract, motivate and retain high calibre individuals, taking into consideration the capability, experience, expertise, skills and competency of the Director concerned. In addition, the RC and the Board may seek external advice, as and when deemed necessary. • The Directors' remuneration is reviewed annually by the RC to ensure that the remuneration package is aligned with the business strategy and long term objectives and reflect the Board's responsibilities, expertise and complexity of the Group's business activities. • In the case of the EDs, the remuneration comprises components to cover rewards linking corporate performance and individual contribution towards the overall results, Reasonable monthly and yearly allowances, meeting allowances and fees are paid to the INEDs and tabled to the shareholders for approval at the AGM.
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	:	<ul style="list-style-type: none">The RC is chaired by an INED and its composition is as follows:<ol style="list-style-type: none">Mr. Heng Fu Joe (Chairman, INED) (Appointed as RC Chairman on November 1, 2017 upon the retirement of Mr. James Edwin as Chairman and INED).Ms. Caroline Ang (INED) (Appointed as a member on September 1, 2017).Mr. Faris Cassim (INED) (Appointed as a member on September 1, 2017). <p>During the year, the Company's Managing Director, Mr. Lim Soo Koon resigned as a member of the RC in line with the MCGG guidance to ensure the RC's independence.</p> <ul style="list-style-type: none">The RC is responsible for setting the framework and making recommendations to the Board on matters concerning the general remuneration policy of Directors and senior management.The RC's terms of reference, which deals with its authority and duties are available on the Company's corporate website at www.daibochi.com.The RC met once during the financial year and recommended to the Board, the remuneration for the EDs of the Group. All comments were properly documented and recommendations were reported to the Board by the RC Chairman for the Board members' consideration and approval. On December 8, 2017, the RC also reviewed and revised its terms of reference in line with the MCGG, with the Board's approval.
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 remuneration of Directors of the Company (including the remuneration for services rendered to the Company as a Group, if any) for the financial year on a named basis is as follows:						
	<u>Fees</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other emoluments</u>	<u>Benefits-in-kind</u>	<u>Total</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Executive Directors						
	Mr. Lim Soo Koon	-	360	615	186	24	1,185
	Mr. Low Geoff Jin Wei	-	276	324	114	16	730
	Datuk Wira Wong Soon Lim <i>(Retired as ED on October 1, 2017)</i>	-	68	-	8	-	76
	Mr. Low Chan Tian <i>(Retired as ED on October 1, 2017)</i>	-	68	-	8	-	76
	Non-Executive Directors						
	Mr. Heng Fu Joe <i>(Appointed as Board Chairman on November 1, 2017)</i>	27	-	-	51	-	78
	Ms. Caroline Ang Choo Bee <i>(Appointed as AC Chairperson on November 1, 2017)</i>	19	-	-	45	-	64
	Mr. Faris Salim Cassim <i>(Appointed as INED on September 1, 2017)</i>	6	-	-	15	-	21
	Mr. P. James Edwin A/L Louis Pushparatnam <i>(Retired as Chairman and INED on November 1, 2017)</i>				70	3	73

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	:	<ul style="list-style-type: none"> • The Board notes the disclosure requirement of the top five (5) senior management's remuneration on a named basis and in bands of RM50,000 for corporate transparency and has considered the matter. • The Board believes that such disclosure is not in the best interest of the Company/Group due to the highly confidential/sensitive nature of this information and concerns of key talent poaching in the specialised flexible packaging industry. • The total remuneration of the Company's top five (5) senior management is as follows: <table border="1" data-bbox="539 1137 1396 1346"> <thead> <tr> <th><u>No. of headcount</u></th> <th><u>Salary and bonus</u></th> <th><u>Other emoluments</u></th> <th><u>Benefits-in-kind</u></th> <th><u>Total</u></th> </tr> <tr> <td></td> <td>RM'000</td> <td>RM'000</td> <td>RM'000</td> <td>RM'000</td> </tr> </thead> <tbody> <tr> <td>5</td> <td>1,696</td> <td>492</td> <td>29</td> <td>2,217</td> </tr> </tbody> </table> <p>The Board believes that the manner of disclosure above would enable stakeholders to assess whether the remuneration commensurate with the performance of the senior management, taking into account the Company/Group's performance.</p>				<u>No. of headcount</u>	<u>Salary and bonus</u>	<u>Other emoluments</u>	<u>Benefits-in-kind</u>	<u>Total</u>		RM'000	RM'000	RM'000	RM'000	5	1,696	492	29	2,217
<u>No. of headcount</u>	<u>Salary and bonus</u>	<u>Other emoluments</u>	<u>Benefits-in-kind</u>	<u>Total</u>																
	RM'000	RM'000	RM'000	RM'000																
5	1,696	492	29	2,217																
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																				
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.																		
Timeframe	:	Choose an item.																		

Intended Outcome

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

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The composition of the AC is as follows: <ol style="list-style-type: none"> 1. Ms. Caroline Ang (Chairperson, INED) (Appointed as AC Chairperson on November 1, 2017 upon the retirement of Mr. James Edwin as Chairman and INED). 2. Mr. Heng Fu Joe (INED) 3. Mr. Faris Cassim (INED) (Appointed as a member on September 1, 2017). • The AC Chairperson, Ms. Caroline Ang is not the Chairperson of the Board, thus ensuring the overall effectiveness and independence of the AC. • Ms. Caroline Ang is a Chartered Accountant of the Malaysian Institute of Accountants and a Fellow of the Association of Chartered Certified Accountants, UK. • The AC Charter was amended on December 8, 2017 in line with the application of Practice 8.1 of the MCCG.
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	:	<ul style="list-style-type: none">• The AC's <i>Policy on the Suitability, Objectivity and Independence of External Auditors (AC's Policy on EA)</i> is intended to regulate the provision of services by the EA to ensure that the EA does not perform any service that may impair its independence.• In upholding audit independence, the AC's <i>Policy on EA</i> has a provision that the former key audit partner shall observe a cooling-off period of at least two (2) years before being appointed as a member of the AC in accordance with this Practice.• None of the AC members have been former key audit partners of the Company/Group.• The AC's <i>Policy on the EA</i> is published on the Company's corporate website at www.daibochi.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 8.3

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 :	<ul style="list-style-type: none">• The Company has established an appropriate and transparent relationship with its EA through the AC. The AC conducts a yearly assessment of the suitability, objectivity and independence of the EA. This assessment is undertaken in accordance with Paragraph 15.21 of the Listing Requirements and the AC's <i>Policy on EA</i> prior to recommending to the Board to seek shareholders' approval for the EA's re-appointment. The policy is available on the Company's website at www.daibochi.com.• The AC conducted the assessment for the financial year under review and presented its evaluation and recommendation to the Board. Details of the AC's assessment are available in Section 2.3(a) of the AC Report.• The AC received written assurance from the EA that they:<ul style="list-style-type: none">➢ have maintained their independence in accordance with their firm's requirements and the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants; and➢ are not aware of any non-audit services that have compromised their independence as EA of the Group/ Company.• The Board considered the AC's annual assessment and recommendation supporting the EA's re-appointment. Being satisfied with the EAs' performance, timeliness, technical competency, including safeguards to ensure independence/objectivity, the AC recommended to the Board on April 4, 2018 to re-appoint Messrs Grant Thornton Malaysia as the Company's EA for the financial year ending December 31, 2018.
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 AC comprises three (3) members, all of whom are 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 :	<ul style="list-style-type: none">• All the AC members are financially literate and are able to understand matters under the purview of the AC, including the financial reporting process.• Mr. Heng Fu Joe and Ms. Caroline Ang are members of the Malaysian Institute of Accountants. Mr. Faris Cassim holds Bachelor of Laws and Bachelor of Commerce degrees. Collectively, the members possess extensive experience and professional skills, including in relation to accounting, auditing, tax, finance, legal and corporate finance matters.• The AC members attended trainings during the financial year to keep themselves abreast of relevant developments, including in relation to finance, accounting, audit, tax and corporate governance. The programs attended by the AC members are set out in the Professional Development and Induction section in the Corporate Governance Overview Statement in the Annual Report.• Moving forward, the AC members will continue to review their training needs to enhance their skills/knowledge in accounting and auditing standards, practices and rules to enable them to discharge their duties effectively.
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	:	<ul style="list-style-type: none"> • The Board affirms its overall responsibility for the Group’s risk management and system of internal controls, including reviewing its adequacy and effectiveness in line with its business objectives. • The Board has established a sound internal control system and risk management framework, including an ongoing process to identify, evaluate, mitigate/manage and monitor the significant risks faced by the Group in the achievement of its objectives and strategies. • The framework and ongoing process have been in place for the financial year under review and up to the date of approval of the Group’s Risk Management and Internal Control Statement for inclusion in the Annual Report. • The Board is assisted by the RMC and AC in reviewing the effectiveness of the risk management and internal control systems. • Management is responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal controls, taking appropriate and timely corrective actions as needed to mitigate and control the risks. Management also provides assurance to the Board that these processes have been carried out accordingly. <p>Specific disclosures on the Group’s risk management and internal control framework are available in the Risk Management and Internal Control Statement in the 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	:	<ul style="list-style-type: none">• The Group has a structured process within its risk management framework for identifying, evaluating, mitigating and monitoring risks. Key business and operational risks faced by the Group are defined, highlighted, monitored and managed systematically to ensure prudent risk management.• The RMC supports the Board in terms of risk governance and assists with its responsibilities to identify, assess/evaluate, mitigate/manage and monitor key business risks. This is to ensure that there is a sound and robust risk management framework in place to enhance the Group's ability to achieve its strategic objectives and safeguard shareholders' investments and assets.• The RMC met twice during the financial year to review and assess the Group's risks and deliberate the significant risks to be presented to the Board.• Management personnel i.e. from Operations, Sales and Marketing and other relevant departments attend RMC meetings, where necessary, to brief/advise the RMC members on the potential risks and actions that may be taken to mitigate and control these risks.• Significant risks representing challenges to the Group's business are classified into distinct categories: Sales and Marketing; Operations; Human Resource; Finance; Management Information Systems; Fraud/Theft; Technology; Quality Assurance and Procurement.• The internal audit function provides independent, objective assurance and advisory services that add value and improve operations by:<ul style="list-style-type: none">➢ evaluating and improving the adequacy and effectiveness of internal control systems established by Management; and➢ providing internal audit recommendations for the improvement of the internal controls, policies and procedures.• During the reporting period, the Board, through the RMC and AC reviewed the adequacy and effectiveness of the risk management and internal control systems based on the information provided by key Management in the Group as well as from the IA and the EA.

	<ul style="list-style-type: none"> • The Board is pleased to report that there were no material losses incurred during the financial year under review as a result of weaknesses in risk management and the internal control systems. There were no breaches of compliance with the relevant laws and regulations or observations in relation thereto reported in the audits. The Group was not penalised for any instance of non-compliance with laws/regulations and there were no unethical behaviour/improper conduct/concerns reported to the INEDs during the year via the <i>Whistleblowing Policy</i>. • The Board remains committed in improving the Group's risk management framework to ensure that risks are well managed and will continue to take adequate measures to strengthen the internal control environment in which the Group operates. <p>Specific disclosures on the Group's risk management and internal control framework are available in the Risk Management and Internal Control Statement in the Annual Report.</p>
Explanation for departure :	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	: Adopted
Explanation on adoption of the practice	<ul style="list-style-type: none">• The RMC was formed in 2015 to support the Board with risk governance and assists to identify, assess, manage and monitor key business risks to safeguard shareholders' investments and assets of the Group.• The RMC is chaired by an INED and its composition is as follows:<ol style="list-style-type: none">1. Mr. Heng Fu Joe (Chairman, INED) (Appointed as RMC Chairperson on November 1, 2017 upon the retirement of Mr. James Edwin as Chairman and INED).2. Mr. Lim Soo Koon (Managing Director)3. Mr. Low Geoff Jin Wei (ED)4. Ms. Caroline Ang (INED)5. Mr. Faris Cassim (INED) (Appointed as a member on September 1, 2017).Ms. Tan Gaik Hong (General Manager, Corporate and Finance) resigned as a RMC member on September 1, 2017 to ensure that the RMC comprises a majority of INEDs in line with this Practice.• The RMC's authority and duties are governed by its written terms of reference, available on the Company's corporate website at www.daibochi.com. The terms of reference were revised by the RMC, with the approval of the Board on December 8, 2017 in line with the MCGG.

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	:	<ul style="list-style-type: none"> • The internal audit function has been outsourced to an independent professional service firm and is carried out in accordance with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors. • The objectives of the internal audit are to independently assess the system of internal controls established by Management and make appropriate recommendations for improvement/enhancements in relation thereto. • The IA reports to the AC on a quarterly basis and provide independent views on the adequacy, integrity and effectiveness of the system of internal controls after its reviews. • The AC assessed the performance of the IA for the financial year based on: <ul style="list-style-type: none"> ➢ the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work vide a set of questionnaires forwarded to the AC members, and ➢ feedback from members of Management. <p>Upon assessing/reviewing the internal audit function, the AC reported to the Board on April 4, 2018 that the IA has the required resources, expertise and professionalism to discharge its duties effectively.</p> <ul style="list-style-type: none"> • During the year, the AC held a private meeting with the IA, without the presence of the EDs and members of the Management team. There were no matters of concern raised by the IA at this meeting in relation to its audits. <p>Further details of the internal audit function are disclosed in the AC report in the Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies 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	:	<ul style="list-style-type: none"> • The internal audit function has been outsourced to an independent professional service firm and the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence. • Five (5) personnel were assigned for the internal audit reviews during the reporting period. • The person responsible for internal audit is the engagement partner, Mr. Ranjit Singh a/l Taram Singh. He has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is a Certified Internal Auditor (United States) and has a Certification in Risk Management Assurance (United States). Mr. Ranjit Singh also has a Master of Business Administration from Heriot-Watt University, Edinburgh, UK. • The internal audit function is carried out using a risk based approach and is guided by the International Professional Practice Framework (IPPF).
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	<ul style="list-style-type: none">• The Board advocates high standards of corporate transparency and disclosures and values its dialogues with shareholders, the investment community and other stakeholders. In this regard, the Board seeks to ensure that timely, meaningful and equal dissemination of relevant information are provided to assist shareholders and investors in their investment decisions.• Consistent with these standards, the Company's <i>Corporate Disclosure Policy</i> provides guidance to the Board, Management and employees to ensure accurate, timely, consistent, high quality and fair disclosure of corporate information.• The Board has designated the Managing Director as the person responsible for communication with the investment community, regulators and the media.<ul style="list-style-type: none">➤ The Managing Director may, from time to time, designate others within the Company to speak on behalf of the Company to respond to specific inquiries.➤ Employees who are not authorized spokespersons are not authorized under any circumstances to respond to inquiries from the investment community, the media or others, unless specifically authorised by the Managing Director.• The Company has a dedicated Investor Relations (IR) section in the corporate website at www.daibochi.com, which serves as an additional channel of communication with stakeholders.<ul style="list-style-type: none">➤ The corporate website is a key source of information for the stakeholders and provides a wide range of information about the Group.➤ The IR section includes particulars of the Group's business, corporate, management, financial and corporate governance information, Company's Constitution, share price information, financial calendar, dividend policy, analyst reports, capital changes, announcements and circulars to Bursa Malaysia, corporate presentations (on quarterly results and the AGM), annual reports, press releases and AGM minutes.➤ Dates of release of the Group's financial results are also notified in advance for the benefit of the shareholders/investment community and are available in the IR section.

	<ul style="list-style-type: none"> ➤ The IR's contact information is displayed in the IR section to enable shareholders/the investment community/other stakeholders to forward their queries directly. ➤ Media releases are provided to the press after the announcement of quarterly results as well as on all significant corporate developments and important matters to keep the investment community and shareholders updated on the Group's developments. • All new material information and financial results are disclosed in an accurate and comprehensive manner and on a timely basis via Bursa LINK, allowing investors to stay updated on strategic and operational developments as well as the Group's performance. • In 2017, the Managing Director, ED and General Manager, Corporate and Finance met with analysts, fund managers, institutional shareholders and investors to provide updates on the performance, progress and developments of the Group. Investor briefings were held on a quarterly basis in 2017 in Kuala Lumpur (city centre) in conjunction with the Group's quarterly financial results. Presentation materials of the investor briefings were posted on the Company's website to ensure effective communication to the stakeholders. These platforms enable the EDs and senior management to interact with shareholders, investment community and analysts to understand their views, gather feedback and address key concerns. • The Board has identified the Chairman, Mr. Heng Fu Joe as the Senior Independent Director to whom concerns of shareholders and other stakeholders may be conveyed. He may be contacted via his email address at joeheng@daibochi.com.
Explanation for departure :	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as the Company is not a large company.	
<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	:	<ul style="list-style-type: none"> • The Company's last AGM was held on May 24, 2017 and the Notice convening the AGM was sent to shareholders on April 28, 2017 which is in compliance with the Listing Requirements (at least 21 days before the AGM). • The notice of the 45th AGM scheduled to be held on June 8, 2018 is dated April 30, 2018 i.e. more than 28 days prior to the AGM in line with this Practice. • The notice is also announced via Bursa LINK, published in a local English newspaper and posted on the IR section of the Company's corporate website at www.daibochi.com ahead of the meeting to provide shareholders with sufficient time to review all documents and make informed decisions. • Printed copies of the relevant AGM documents i.e. the Annual Report and circular are provided to shareholders who prefer hardcopies of these documents. Hence, shareholders should have sufficient time to peruse the Annual Report and other documentation and appoint proxies to attend the general meeting if they so wish. • Collectively, the above measures enable shareholders to participate, engage the Board and senior management effectively to make informed voting decisions at the AGM.
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	<ul style="list-style-type: none">• General Meetings remain the principal forum for dialogue with shareholders and it affords shareholders the opportunity to raise questions and seek clarifications on the Group's operations, performance, strategies and latest developments. Every matter requiring approval at a general meeting is proposed as a separate resolution. The rationale for the resolutions is set out in the notices to the meeting. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on.• The Chairman and members of the Board will be in attendance to address queries and concerns about the Group. The Board will undertake to provide the shareholder with a written answer to any significant question that cannot be readily answered. The EA will also be present to provide professional and independent clarification on relevant issues and concerns raised by the shareholders. A press conference is normally held after the AGM. Minutes of meeting are then made available on the IR section of the Company's corporate website at www.daibochi.com. <p><u>General Meetings held on May 24, 2017</u></p> <ul style="list-style-type: none">• All the Directors were present in person to engage directly with the shareholders of the Company at the general meetings held on May 24, 2017 at Ramada Plaza Melaka.• The Chair of the BCs was also available to provide responses to questions addressed by the shareholders.• <u>AGM 2017:</u><ul style="list-style-type: none">➤ The Managing Director gave a presentation to the members, featuring an overview of the Group's business and products; operational highlights; updates on the Group's new subsidiary: Daibochi Packaging (Myanmar) Company Limited, product innovations and 2016 financial performance.➤ Shareholders had the opportunity to view the type of products, including laminates produced/supplied by the Company via the display of flexible packaging materials.➤ Mr. Low Geoff Jin Wei (ED) presented the Company's response to questions submitted by the Minority Shareholder Watchdog Group (MSWG) for the benefit of the members.

	<ul style="list-style-type: none"> ➤ The Managing Director also addressed the shareholders' and MSWG's queries during the meeting. ➤ The EA was present to provide professional and independent clarification on relevant matters in the financial statements. ➤ The AGM minutes and corporate presentation were uploaded on the IR section of the Company's corporate website within reasonable time at www.daibochi.com for the benefit of shareholders who were unable to attend the said meeting. <ul style="list-style-type: none"> • <u>EGM 2017:</u> <ul style="list-style-type: none"> ➤ The Managing Director addressed questions raised by the shareholders in relation to the corporate exercise. ➤ The Company's advisors were present to advise the Board and assist with queries in relation to the corporate proposals.
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	:	<ul style="list-style-type: none"> • This Practice is not applicable to Daibochi as the Company's general meetings have always been held in hotels in the Melaka city centre to facilitate greater shareholder participation and not in remote locations. The May 24, 2017 general meetings were held at Ramada Plaza Melaka, an easily accessible and familiar venue to most shareholders. • The Company's general meeting notice and proxy form allows shareholders to appoint any person(s) as their proxies to attend, participate, speak and vote in his or her stead at a general meeting. • To promote greater transparency, voting of resolutions at the general meetings was conducted by poll and independent scrutineers were appointed to verify the results of the poll at the general meetings held on May 24, 2017. <ul style="list-style-type: none"> ➢ The Share Registrar, Tricor Investor and Issuing House Services Sdn. Bhd. briefed the shareholders and conducted the poll voting process. ➢ An independent scrutineer was engaged to review the poll voting process, verify and tabulate the votes to ensure that the voting process by poll is carried out fairly and effectively. ➢ The results of the voting were then announced by the Chairman; stating the number and percentage of votes cast for and against each resolution. ➢ The voting results were then announced via Bursa LINK on the same day after the general meetings. • The AGM presentation and minutes were uploaded on the IR section of the Company's corporate website at www.daibochi.com for the benefit of shareholders.
Explanation for departure	:	Not applicable as the Company does not have a large number of shareholders or holds its general meetings in remote locations.
<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 TO 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
