

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 0201  
**COMPANY NAME** : Nova Wellness Group Berhad  
**FINANCIAL YEAR** : June 30, 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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has full control of and is responsible for the Group's overall strategy, acquisition and divestment policies, capital expenditure, annual budget, review of financial and operational performance, and internal controls as well as investment and risk management processes. The Group's overall strategic direction, development, implementation and control remain of primary importance to the Board.</p> <p>The Board is leading and managing the Group in an effective and responsible manner. Each Director has a legal duty to act in the best interests of the Group. The Directors, individually and collectively, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Group are managed.</p> <p>The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs.</p> <p>In order to ensure the effective discharge of its functions and responsibilities, the Board has established a Governance Model for the Group where specific powers of the Board are delegated to the relevant Board Committees. The Board Committees comprise four Governance Committees (i.e. Audit Committee ("AC"), Risk Management Committee ("RMC"), Nomination Committee ("NC") and Remuneration Committee ("RC").</p> <p>The details of the roles and responsibilities of the Board are clearly defined in the Board Charter, which is available on the Company's website at <a href="http://www.nova.my">www.nova.my</a></p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles and responsibilities of the Chairman of the Board have been clearly specified in Section 3 of the Board Charter, which is available on the Company's website at <a href="http://www.nova.my">www.nova.my</a></p> <p>The Chairman is primarily responsible for:</p> <ol style="list-style-type: none"> <li>a) The leadership of the Board to establish and monitor good corporate governance practices in the Company.</li> <li>b) The leadership of the Board to facilitate the effective contribution of all directors at Board meetings and ensuring that no member dominates discussions and appropriate interaction amongst Board members are forthcoming.</li> <li>c) Representing the Board, chairing General Meeting of shareholders and ensure effective communication with shareholders and all stakeholders.</li> <li>d) Ensuring the efficiency of the organisation and that the procedures and processes are in place to facilitate effective conduct of business by the Board.</li> <li>e) Ensuring the Board's decisions have been implemented.</li> <li>f) Ensuring that the Directors receive accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge their duties.</li> <li>g) Ensuring that new Directors receive a full, formal and tailored induction on joining the Board. The letter of appointment should set out the Director's expected commitment of time.</li> <li>h) Ensuring that the Directors continually update their skills, knowledge and familiarity with the Company required to fulfill their role both on the Board and on Board Committees.</li> </ol>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is led by a Chairman (Dr Abdul Manaf bin Mohd Radzi) and supported by a Managing Director (Mr Phang Nyie Lin), two (2) Executive Directors and, one (1) Non Independent Non-Executive Director and three (3) Independent Non-Executive Directors.</p> <p>The day-to-day management of the business operations of the Group is led by the Executive Directors and a team of Key Management. The Board is also kept updated on the Group's strategic direction initiatives, significant operational and regulatory challenges faced by the Group during its meetings.</p> <p>The Executive Directors meets with the Key Management on a regular basis where policies, strategies and operational matters are deliberated and brought to the attention of the Board where appropriate during the Quarterly Board Meetings.</p> <p>The positions of the Chairman and the Managing Director are held separately by two individuals, with clear division of roles and responsibilities to ensure balance of power and accountability. The Board has developed descriptions for responsibilities of the Board Chairman, Managing Director and the individual Board Members. The distinct and separate roles and responsibilities of the Chairman and Managing Director are provided in the Board Charter, which is available on the Company's website at <a href="http://www.nova.my">www.nova.my</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by two (2) External Company Secretaries. Both Company Secretaries are qualified to act as Company Secretary under Section 235 of the Companies Act 2016, of which one is a Fellow Member and the other, an Associate Member of the Malaysian Institute of Chartered Secretaries &amp; Administrators. The Company Secretaries provide the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's constitution, Board's policies and procedures as well as compliance with all regulatory requirements, guidance and legislation.</p> <p>All Directors have full and unrestricted access to the advice and services of the Company Secretaries and may obtain independent professional advice at the Company's expense in order to discharge their duties effectively. The Board is regularly updated on new guidelines, directions and new regulatory issues affecting the Group by the Company Secretaries. The Company Secretaries together with the Executive Directors and Chief Financial Officer assist the Chairman of the Board and Chairman of Board Committees to deal with the Board agenda and to provide the relevant information and documents to Directors on a timely basis. The Board is satisfied with the support and performance provided by the Company Secretaries in assisting the Board to discharge its duties.</p> <p>The Board are of the view that the Company Secretaries have been competent and kept themselves abreast with the evolving regulatory changes and developments through continuous education programmes and attendance of relevant conferences, seminars and training programmes. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>A corporate calendar of all scheduled meetings and planned events for the financial year are furnished to all Directors and the key management by the Company Secretaries normally during the 1st quarter Board meeting to aid and facilitate the Directors in scheduling and meeting their time commitments.</p> <p>The Chairman of the Board Committees, namely, the Audit Committee ("AC"), Remuneration Committee ("RC"), Nomination Committee ("NC"), and Risk Management Committee ("RMC") briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.</p> <p>In reviewing and analysing the quarterly interim financial results, the Board was provided with various corroborative information and data. Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the scheduled meetings via emails or physical copies to ensure sufficient time is given to the Directors to read the Board papers and seek clarification, if necessary, and enable them to deliberate issues raised during Board meetings more effectively. Additionally, key management was also invited to brief and report in meetings of the Board and Board Committees.</p> <p>The Board was also kept informed progressively of the various requirements and updates issued by the various regulatory authorities. These requirements and updates were provided and briefed by the management, the Company Secretaries, external and internal auditors. The management, external and internal auditors were invited to attend Board/Committee meetings to provide additional insights and professional advice on specific items on the meeting agenda.</p> <p>Procedurally, when external advice are necessary, the Director who intends to seek such consultation or advice shall notify the Chairman for approval. Upon approval, the Chairman will facilitate obtaining such advice and, where appropriate, disseminate the advice to all Directors.</p> <p>The Board has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the authority to retain at the Company's expense, such as legal, accounting or other services, consultants, advisers or experts as it considers necessary from time to time in the performance of its duties.</p>

	<p>The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.</p> <p>The Company Secretaries will circulate the draft minutes of meetings for the Board and Board’s Committee review in a timely manner. The Company Secretaries will also follow up with the Management on status of actions taken with reference to the previous minutes of meetings for updating the Board. Action items would stay as matters arising in the minutes of meetings until they are resolved.</p> <p>The signed minutes of meetings are then properly filed and kept in the statutory minutes book at the registered office of the Company.</p> <p>Company Secretary is to ensure that accurate and proper records of proceedings and resolutions passed are made and maintained accordingly.</p>	
<b>Explanation for departure</b>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>		
<b>Timeframe</b>		



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board Charter was adopted by the Board on 31 October 2017. The Board Charter sets out the role, functions, composition, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Group are aware of their duties and responsibilities as Board members. The Board Charter would be periodically reviewed and updated in accordance with the needs of the Group and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available on the Company's website at <a href="http://www.nova.my">www.nova.my</a>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conduct which summarises what the Group must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Code of Conduct provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment. The Board will review the Code of Conduct when necessary to ensure it remains relevant and appropriate. The Code of Conduct is available for reference on the Company's website at <a href="http://www.nova.my">www.nova.my</a></p> <p>The Group's Code of Conduct applies to all Executive Directors, Key Management and employees and sets forth the standards by which the Group conducts its operations as well as to assist in continued implementation of the Group's business principles.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had set a Whistleblowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation.</p> <p>The Whistleblowing Policy provides contact details as the avenue for stakeholders to raise the above concerns.</p> <p>The Whistleblowing Policy is published on the Company's website at <a href="http://www.nova.my">www.nova.my</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board of the Group, comprises eight (8) Directors i.e. four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Executive Directors, in which one of the Executive Director serves as the Managing Director and Chief Research Officer of the Group.</p> <p>The presence of half of the Board comprises Independent Directors which provides effective check and balance in the functioning of the Board to safeguard the interests of all shareholders and stakeholders.</p> <p>The Independent Directors do not participate in the daily operations and management of the Group and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors' judgment. They are pivotal in bringing impartiality and scrutiny to the Board's deliberation and decision making process.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

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

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Board has a policy which limits the tenure of its independent directors to nine (9) years.  The Terms of Reference (“TOR”) of the NC is published on the Company’s website at <a href="http://www.nova.my">www.nova.my</a>

**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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The NC oversees the assessment of the suitability of the candidate before recommending the candidate to the Board for appointment.</p> <p>The appointment of new directorship would be through a formal and transparent selection process and would take into consideration the evaluation of the candidates' abilities in terms of their skills, knowledge, experience, expertise and integrity to discharge their responsibilities.</p> <p>In FYE 2018, the appointments of the Non-Executive Directors were made through recommendations by third parties. All the appointments were evaluated through due diligence process and the Non-Executive Directors were also accessed for their skills in which Directors of the Group should bring to the Board.</p> <p>The members of the Board are professionals and are equipped with specific knowledge and experience. This wide spectrum of skills and experience provide the strength that is needed to lead the Group to meet its objectives. The Board is of the opinion that the Directors, with their different background and specializations, collectively bring with them the required expertise and experience to discharge the Board's duties and responsibilities. Their detailed particulars are provided in the Annual Report under the section Profile of Board of Directors.</p> <p>On Key Management appointment, candidates are first considered by the NC where focus is in their skills set, competencies, experience, integrity and other qualities, prior to recommendation for approval by the Board.</p> <p>The appointment of key management are made with due regard for skills and experience. Their detailed particulars are provided in the Annual Report under the section Profile of Key Management.</p>
<b>Explanation for departure</b>	:

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

<b>Measure</b> :		
<b>Timeframe</b> :		



**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of diversity in its composition in ensuring its effectiveness and good corporate governance.</p> <p>The Board has set a policy that at least one (1) member of the Board will be of the female gender.</p> <p>Currently, the Board has one (1) female director which comprises 12.5% of the Board members.</p> <p>Where suitable candidates is found in the future, the Board may seek to increase the representation from female members, to achieve a more gender diversified board.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is committed to upholding high standards of governance in respect of new appointments to the Board to ensure that the Board is comprised of Directors who have the necessary skills, competencies, commitment and experience to complement the efficiency and effectiveness of the Board as a whole.</p> <p>The Board had adopted the following procedures for the appointment of new Directors effective from 27 September 2018.</p> <p>The NC is entrusted with the responsibility to review, propose and recommend the appointment of potential new Directors after taking into consideration the current and future needs of the Company.</p> <p>The NC which is responsible for reviewing the effectiveness of the Board as a whole, the Board Committees, the contributions of the individual Directors and the Independence of the Independent Directors, will where appropriate, make its recommendations to the Board on the need to increase the Board size, the composition, the necessary skills, calibre and experience required and where available the potential candidates for appointment.</p> <p>The NC will where practical maintain a database of potential candidates. Potential candidates can be sourced from:</p> <ul style="list-style-type: none"><li>• Existing Directors and substantial shareholders of the Company;</li><li>• Existing Senior Management employees;</li><li>• Professional bodies and organisations;</li><li>• Business associates, shareholders; and</li><li>• Others.</li></ul> <p>Upon a decision being made by the Board to appoint Directors:</p> <ol style="list-style-type: none"><li>a) The NC will identify suitable candidates from its available database or sources maintained taking into consideration the required skills, competencies and experience and such other parameters as may be determined by the Board.</li><li>b) The Chairman of the NC and the Executive Directors will meet with the identified candidates to assess/reassess their suitability for appointment.</li></ol>

	<p>c) The identified candidate if cleared by the NC will then be recommended to the Board for appointment.</p> <p>d) Prior to their appointment, the identified candidates will be invited to an introductory meeting with the full Board to enable the full Board to form an opinion and assessment on the identified candidates recommended by the NC.</p> <p>e) Subsequent or further meetings with the candidates may be arranged to the satisfaction of the Board, should the need arise.</p> <p>f) The discretion to accept or reject a candidate rests with the full Board of Directors.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Applied												
<b>Explanation on application of the practice</b>	:	<p>The membership classification of the NC is set out in its TOR. The current Chairman of the NC is the Independent Non-Executive Director, Dr Munavvar Zubaid bin Abdul Sattar and the NC is comprised majority of Independent Non-Executive Directors as follows:</p> <table border="1"><thead><tr><th>Name</th><th>Designation</th><th>Directorship</th></tr></thead><tbody><tr><td>Dr Munavvar Zubaid bin Abdul Sattar</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr><tr><td>Dr Abdul Manaf Bin Mohd Radzi</td><td>Member</td><td>Independent Non-Executive Chairman</td></tr><tr><td>Encik Sulaiman bin Haji Ahmad</td><td>Member</td><td>Non-Independent Non-Executive Director</td></tr></tbody></table> <p>The primary responsibilities of the NC are set out in detail in its TOR published on the Company's website at <a href="http://www.nova.my">www.nova.my</a></p>	Name	Designation	Directorship	Dr Munavvar Zubaid bin Abdul Sattar	Chairman	Independent Non-Executive Director	Dr Abdul Manaf Bin Mohd Radzi	Member	Independent Non-Executive Chairman	Encik Sulaiman bin Haji Ahmad	Member	Non-Independent Non-Executive Director
Name	Designation	Directorship												
Dr Munavvar Zubaid bin Abdul Sattar	Chairman	Independent Non-Executive Director												
Dr Abdul Manaf Bin Mohd Radzi	Member	Independent Non-Executive Chairman												
Encik Sulaiman bin Haji Ahmad	Member	Non-Independent Non-Executive Director												
<b>Explanation for departure</b>	:													
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
<b>Measure</b>	:													
<b>Timeframe</b>	:													

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC reviews annually the required mix of skills and experience of the Board, including core competencies which Non-Executive Directors should bring to the Board and assesses the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director.</p> <p>The evaluation process is led by the Chairman of the NC and supported by the Company Secretaries annually. The Directors complete the relevant questionnaires regarding the effectiveness of the Board and its Board committees. The assessment by all Directors are summarised and disclosed at the NC's meeting and reported at a Board meeting by the Chairman of the NC.</p> <p>For 2018, the NC has reviewed and assessed the mix of skills and experience of the Board including the core competencies of both Executive and Non-Executive Directors, size of the Board, contribution of each Director and effectiveness of the Board and Board Committees and also evaluated the level of independence of the Directors. Based on the assessment, the NC was satisfied with the existing Board composition in terms of gender, ethnicity and age, and was of the view that all the Directors and Board Committees of the Company have discharged their responsibilities in a commendable manner and have performed competently and effectively. Based on the recommendations from the NC, the Board had also assessed and would be proposing to the shareholders' for approval the continuation in office of Dr Abdul Manaf Bin Mohd Radzi as Non-Executive Director of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board delegates to the RC the responsibility to consider and approve the remuneration arrangements of the Directors and key management of the Group.</p> <p>The RC will be responsible for reviewing and recommending to the Board the remuneration framework for the Executive Directors, and key management, ensuring that remuneration is set at a coherent and competitive level to recruit, attract, retain and motivate high performing individuals and structured as to align their interests with those of the Group and its shareholders.</p> <p>The RC recommends the fee of the Non-Executive Directors to the Board with the individual Director concerned abstaining from decisions in respect to their remuneration. The Directors' fee consist of annual Directors' fees that reflect their expected diverse experience, skill sets and the roles and responsibilities of the Directors concerned.</p> <p>The Group was listed in July 2018.</p> <p>Moving forward, the RC will approve the annual salary increments, and performance bonuses for Directors and key management of the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Board has established a RC that comprises majority of Independent Non-Executive Directors. The TOR of the RC delineate the roles and responsibilities in relation to the remuneration matters. The TOR of the RC is published on the Company's website at <a href="http://www.nova.my">www.nova.my</a>  The RC is guided by appropriate policies and procedures when reviewing and recommending remuneration for the Board and key management.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	: Applied																																																		
<b>Explanation on application of the practice</b>	<p>In line with best corporate governance practice, the disclosure of the Directors' remuneration on a named basis has been made in the Audited Financial Statement. The details breakdown of individual directors includes fees, salaries and benefits in-kind and other emoluments are set out below.</p> <p>The remuneration received by each of the current Non-Executive Directors, Executive Directors and Managing Director for FYE 2018 is set out in the tables below:-</p> <p><b>(1) <u>Non-Executive Directors</u></b></p> <table border="1"><thead><tr><th>No.</th><th>Name of Current Non-Executive Directors</th><th>Directors' Fees for FYE 2018 (RM)</th></tr></thead><tbody><tr><td>1.</td><td>Dr Abdul Manaf Bin Mohd Radzi</td><td>36,000</td></tr><tr><td>2.</td><td>Sim Seng Loong @ Tai Seng</td><td>36,000</td></tr><tr><td>3.</td><td>Dr Munavvar Zubaid Bin Abdul Sattar</td><td>36,000</td></tr><tr><td>4.</td><td>Sulaiman Bin Hj Ahmad</td><td>36,000</td></tr><tr><td>5.</td><td>Tan Mio Har</td><td>36,000</td></tr></tbody></table> <p><b>(2) <u>Executive Directors/Managing Director</u></b></p> <table border="1"><thead><tr><th>No.</th><th>Name of Current Executive Directors/ Managing Director</th><th>Salary (RM)</th><th>Bonus (RM)</th><th>EPF (RM)</th><th>Other emoluments (RM)</th><th>Benefits in-kind (RM)</th><th>Total (RM)</th></tr></thead><tbody><tr><td>1.</td><td>Phang Nyie Lin</td><td>90,000</td><td>10,000</td><td>12,090</td><td>-</td><td>-</td><td>112,090</td></tr><tr><td>2.</td><td>Phang Yeen Nung</td><td>98,000</td><td>30,000</td><td>15,360</td><td>-</td><td>-</td><td>143,360</td></tr><tr><td>3.</td><td>Phang Yeen Aun</td><td>98,000</td><td>30,000</td><td>15,360</td><td>-</td><td>-</td><td>143,360</td></tr></tbody></table>	No.	Name of Current Non-Executive Directors	Directors' Fees for FYE 2018 (RM)	1.	Dr Abdul Manaf Bin Mohd Radzi	36,000	2.	Sim Seng Loong @ Tai Seng	36,000	3.	Dr Munavvar Zubaid Bin Abdul Sattar	36,000	4.	Sulaiman Bin Hj Ahmad	36,000	5.	Tan Mio Har	36,000	No.	Name of Current Executive Directors/ Managing Director	Salary (RM)	Bonus (RM)	EPF (RM)	Other emoluments (RM)	Benefits in-kind (RM)	Total (RM)	1.	Phang Nyie Lin	90,000	10,000	12,090	-	-	112,090	2.	Phang Yeen Nung	98,000	30,000	15,360	-	-	143,360	3.	Phang Yeen Aun	98,000	30,000	15,360	-	-	143,360
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	Detailed disclosure on named basis for the remuneration of each individual Director is in the Group's Annual Report.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b> :	Departure	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :	<p>The Company will not disclose the detailed remuneration of each member of key management on a named basis due to confidentiality. The Board is of the view that such disclosure would have adverse effect on the Company's talent retention in the highly competitive industry.</p> <p>The Board ensures that the remuneration of key management is commensurate with the performance of the Company, with due consideration to attract, retain and motivate key management to lead and run the Company successfully.</p> <p>As a reference, the total remuneration/compensation of key management personnel is currently disclosed under Note 25 of the notes to the financial statements for the Company's Annual Report.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on : adoption of the practice</b>	

### 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.

<b>Application</b>	:	Applied													
<b>Explanation on application of the practice</b>	:	<p>The AC comprises three (3) members who are Independent Non-Executive Directors.</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Designation</th> <th>Directorship</th> </tr> </thead> <tbody> <tr> <td>Sim Seng Loong @ Tai Seng</td> <td>Chairman</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Dr Abdul Manaf Bin Mohd Radzi</td> <td>Member</td> <td>Independent Non-Executive Chairman</td> </tr> <tr> <td>Tan Mio Har</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The AC Chairman, Mr Sim Seng Loong @ Tai Seng is an Independent Non-Executive Director whilst the Board is chaired by Dr Abdul Manaf bin Mohamad Radzi. Mr Sim Seng Loong @ Tai Seng is a member of the Malaysian Institute of Certified Public Accountants, a Chartered Accountant under the Malaysian Institute of Accountants (MIA) and a member of the CPA Australia. He is not the Chairman of the Board for the Group.</p>		Name	Designation	Directorship	Sim Seng Loong @ Tai Seng	Chairman	Independent Non-Executive Director	Dr Abdul Manaf Bin Mohd Radzi	Member	Independent Non-Executive Chairman	Tan Mio Har	Member	Independent Non-Executive Director
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<b>Measure</b>	:														
<b>Timeframe</b>	:														

### 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 coolingoff period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has always recognised the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. Hence, there is no such person being appointed as a member of the AC.</p> <p>Whilst this practice has been adopted by the Group, the TOR of the AC has been amended on 28<sup>th</sup> August 2018 to reflect the requirements.</p> <p>The TOR of the AC can be viewed at the Company's website at <a href="http://www.nova.my">www.nova.my</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the AC and Board of Directors on matters that require the Board's attention.</p> <p>The AC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The AC has been explicitly accorded the power to communicate directly with both the External Auditors. The effectiveness and performance of the External Auditors are reviewed annually by the AC.</p> <p>In the third quarter of 2018, the External Auditors, Mazars PLT ('Mazars') presented for the AC's review its 2018 Audit Plan which outlined its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters. This formed part of the AC's assessment of the suitability, objectivity and independence of Mazars on an annual basis.</p> <p>In presenting the Audit Plan to the AC, the External Auditors have highlighted their audit independence and objectivity which include safe guards and procedures and independent policy adopted by the External Auditors.</p> <p>The AC is satisfied with Mazars' competency, experience and independence. The Board, based on the AC's recommendation, would be tabling the re-appointment of Mazars as the External Auditors of the Company at the second annual general meeting.</p>

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

### 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.

<b>Application</b> :	Adopted												
<b>Explanation on : adoption of the practice</b>	<p>The AC comprises three (3) members who are Independent Non-Executive Directors.</p> <table border="1"><thead><tr><th>Name</th><th>Designation</th><th>Directorship</th></tr></thead><tbody><tr><td>Sim Seng Loong @ Tai Seng</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr><tr><td>Dr Abdul Manaf Bin Mohd Radzi</td><td>Member</td><td>Independent Non-Executive Chairman</td></tr><tr><td>Tan Mio Har</td><td>Member</td><td>Independent Non-Executive Director</td></tr></tbody></table>	Name	Designation	Directorship	Sim Seng Loong @ Tai Seng	Chairman	Independent Non-Executive Director	Dr Abdul Manaf Bin Mohd Radzi	Member	Independent Non-Executive Chairman	Tan Mio Har	Member	Independent Non-Executive Director
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**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The assessment of Performance of AC is conducted annually.</p> <p>The NC is satisfied with the performance of the AC and each of its members and that they had carried out their duties in accordance with the terms of reference of the AC.</p> <p>The members of the AC are financially literate and have the relevant accounting or related experience and expertise to effectively discharge their duties.</p> <p>The Audit Committee Chairman is a member of the Malaysian Institute of Certified Public Accountants since May 1994, a Chartered Accountant under the Malaysian Institute of Accountants since March 1995 and as a member of the CPA Australia since March 2008.</p> <p>In order to strengthen the present financial literacy of each member, all members of the Audit Committee will balance their participation in continuous professional development programmes on accounting and auditing standards, practices and rules, whenever possible.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board affirms its overall responsibility for the Group’s system of internal control and risk management and for reviewing the adequacy and integrity of the system. The system of internal control covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters. The Board recognises that this system is designed to manage, rather than eliminate, the risks of not adhering to the Group’s policies and achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system provides reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.</p> <p>The Board has established a Risk Management Committee (“RMC”) to assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the Group, the risk management and compliance framework, and the governance structure that supports it.</p> <p>The Statement of Risk Management and Internal Controls is set out on pages 48 to 50 of the Annual Report and provides an overview of the state of internal controls within the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board via the RMC oversees the risk management matters of the Group, which include identifying, managing, monitoring, treating and mitigating significant risks across the Group. The RMC also assists the Board to fulfil its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group. The RMC is also responsible for overseeing the compliance and business continuity functions of the Group.</p> <p>The RMC reviews and recommends for the Board's consideration and approval, the risk management principles, frameworks and policies for managing risks within the Group. The RMC also monitors and assesses the risk appetite and risk tolerance of the Group, so as to safeguard the shareholders' investments and the Group's assets.</p> <p>The key components of the Group's risk management framework are:</p> <p>a) Board of Directors (the "Board"): Responsible among other things, for setting the Risk Appetite, monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Group can be met.</p> <p>b) Board Risk Management Committee (BRMC): The purpose of the Committee is to also assist the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Group including monitoring and reviewing the effectiveness of internal financial controls policies on risk oversight and management. Ultimate responsibility for risk oversight and risk management rests with the Board.</p> <p>c) Risk Management Working Group Committee ("RMWGC"): The purpose of the committee is for management to fulfil its corporate governance and oversight responsibilities with regards to the Group's risk framework. The Committee reports on a quarterly basis any significant findings to the Board Risk Management Committee (BRMC).</p>

	<p>Risks that have been identified will be categorised into one of the following categories:-</p> <ul style="list-style-type: none"> <li>a) Market and Business Risk – exposure to uncertainty due to competition and/or fiscal policy changes which are external to the Group and beyond the control of the organisation.</li> <li>b) Strategic Risk – exposure to uncertainty arising from long-term or short-term policy decisions based on current strategy of the Group.</li> <li>c) Operational Risk – exposure to uncertainty arising from daily strategic business activities related to business operation, process or technology changes.</li> <li>d) Reputational Risk – exposure to uncertainty arising from brand or image of the Group.</li> <li>e) Information/System Risk – exposure to uncertainty arising from cyber threat, loss or inaccuracy of data, Information Technology (“IT”) systems or reported information.</li> <li>f) Financial Risk – exposure related to loss of monetary resources or incurring unacceptable liabilities.</li> <li>g) Organisational Risk – exposure related to the organisational structure, management, and employees which include skills and competencies of the employees.</li> <li>h) Compliance Risk – exposure to uncertainty arising from inadequacy of compliance to require mandatory or established regulations and policies.</li> <li>i) Sustainability Risk – exposure related to sustainability matters namely environmental, economic and social whilst conducting the business.</li> </ul> <p>The features of the Group’s risk management and internal control framework covering the risk policy, risk appetite, risk assessment and the review process by the Board and Audit Committee and the key internal controls are presented in the Statement on Risk Management and Internal Control of the Company’s Annual Report 2018.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### 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.

<b>Application</b> :	Adopted												
<b>Explanation on : adoption of the practice</b>	The RMC currently comprises entirely of Independent Non-Executive Directors and is chaired by Mr Sim Seng Loong @ Tai Seng.												
	<table border="1"><thead><tr><th><b>Name</b></th><th><b>Designation</b></th><th><b>Directorship</b></th></tr></thead><tbody><tr><td>Sim Seng Loong @ Tai Seng</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr><tr><td>Dr Abdul Manaf Bin Mohd Radzi</td><td>Member</td><td>Independent Non-Executive Chairman</td></tr><tr><td>Dr Munavvar Zubaid Bin Abdul Sattar</td><td>Member</td><td>Independent Non-Executive Director</td></tr></tbody></table>	<b>Name</b>	<b>Designation</b>	<b>Directorship</b>	Sim Seng Loong @ Tai Seng	Chairman	Independent Non-Executive Director	Dr Abdul Manaf Bin Mohd Radzi	Member	Independent Non-Executive Chairman	Dr Munavvar Zubaid Bin Abdul Sattar	Member	Independent Non-Executive Director
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Dr Munavvar Zubaid Bin Abdul Sattar	Member	Independent Non-Executive Director											

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has outsourced its Internal Audit function to an independent service provider, which assists the AC in the discharge of its duties and responsibilities.</p> <p>The Internal Auditor undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. Further details on the internal audit function can be seen in the Statement on Risk Management and Internal Control in the Annual Report.</p> <p>The Internal Auditor reports directly to the AC their findings during its quarterly meetings.</p> <p>To ensure that the responsibilities of Internal Auditor are fully discharged, the AC reviews:-</p> <ul style="list-style-type: none"> <li>(a) the appointment and removal of the Internal Auditor;</li> <li>(b) the adequacy of the scope, functions, resources and budget of the Group's internal audit function;</li> <li>(c) the internal audit plan and review the results of the internal audit and decide whether or not appropriate actions are taken and report to the Board;</li> <li>(d) the appraisal or assessment of performance of the Group's Internal Audit function;</li> <li>(e) the effectiveness of the Group's Internal Audit function and make recommendations necessary for improvements.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has appointed an external professional Internal Audit firm, Talent League Sdn Bhd (Talent League), which reports to the AC and assists the AC in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.</p> <p>Currently, the internal audit firm has three internal auditors who are qualified and have professionalism in internal audit. Being an externally engaged internal audit firm, Talent League is free from any relationships and conflict of interest with the Group which could impair their objectivity and independence.</p> <p>The independence of the outsourced internal audit firm is also derived from its direct reporting to the AC and reports directly and functionally, to the AC and ultimately to the Board.</p> <p>The internal auditors adopt International Professional Practices Framework for their audit works. The internal audit is based on a Risk-based Internal Audit Services (“RBIA”) approach. A team of 2 staffs headed by Mr. Hong Cheong Liang was assigned by Talent League to undertake the internal audit of the Group. Mr Hong is a member of Malaysia Institute of Accountants and CPA Australia and he is also an associate member of Institute of Internal Auditors Malaysia.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of keeping the shareholders and stakeholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities.</p> <p>In order to maintain its commitment of effective communication with shareholders and stakeholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.</p> <p>The Board would also ensure stakeholders are given the opportunity to speak and seek clarification during the Annual General Meeting ("AGM"), for effective and transparent communication with its stakeholders.</p> <p>The Company's website at <a href="http://www.nova.my">www.nova.my</a> incorporates an Investor Relations section which provides all relevant information on the Group that is accessible by the public. This section enhances the Investor Relations function by including all announcements made by the Group.</p> <p>The quarterly financial results are announced via Bursa LINK after the Board's approval on the same day. This is important in ensuring equal and fair access to information by the investing public, so that they are able to make informed decisions.</p> <p>Shareholders and investors may also forward their queries to the Group via email to <a href="mailto:investorrelations@nova.com.my">investorrelations@nova.com.my</a></p> <p>To facilitate the stakeholders' understanding of the Company with respect to the business of the Company and its policies on governance, the Company has placed various documents pertaining to the organisation, Board and Management, policies, charters, terms of references as well as other corporate information on its website under 'Investor Relations', for easy reference.</p>



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

## 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a Large Company under the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Annual General Meeting (AGM) is scheduled to be convened on 27 November 2018. Shareholders will receive the Notice of AGM at least 28 days prior to the date of the AGM.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors as well as Key Management and the External Auditors will be present at the AGM. The Chairman of the AC, NC, RC, and RMC shall be present to provide response if there are any questions addressed to them.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	Departure
<b>Explanation on application of the practice</b>	
<b>Explanation for departure</b>	<p>Not applicable to the Company in view that the Company does not have large number of shareholders and did not hold meetings in remote location. The Company does not have intention to have meetings in remote locations.</p> <p>The second AGM will be held at the Movenpick Hotel &amp; Convention Centre KLIA, located within close vicinity of KL International Airport and not in a remote location for easy access.</p> <p>The current approach of voting at the specified venue is the norm currently practiced by the listed issuers. For those shareholders who are unable to participate at the AGM, could submit proxy forms to exercise their votes.</p> <p>The Company may consider exploring a suitable and reliable system to facilitate voting in absentia and remote participation by shareholders in the future.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	
<b>Timeframe</b>	

**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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