

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0066  
**COMPANY NAME** : Vsolar Group Berhad  
**FINANCIAL YEAR** : June 30, 2021

## 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 roles and responsibilities of the Board of Directors ("<b>Board</b>") and Management, the Board Committees and the individual Directors of Vsolar Group Berhad ("<b>Vsolar</b>" or the "<b>Company</b>") are set out in the Board Charter which is available at the Vsolar's website at <a href="http://www.vsolar.com.my">http://www.vsolar.com.my</a> ("<b>Vsolar Website</b>").</p> <p>It is the primary governance responsibility of the Board to provide stewardship and directions for the Management of the Company and its Subsidiaries ("<b>Group</b>"). The Board's responsibilities in respect of the stewardship of the Company include, but not limited to, review and approve strategic plans and key business initiatives, corporate governance and internal control frameworks and promote a sound corporate culture which reinforces ethical, prudent and professional behaviour. While the Board sets the platform of strategic planning and policies, the Executive Director is responsible for implementing the operational and corporate decisions while the Independent Directors are to ensure corporate accountability by providing unbiased and independent views, advice and judgement and challenging the Management's assumptions and projections in safeguarding the interests of the shareholders and investors.</p> <p>The Board has defined the roles and responsibilities for the Directors. In discharging their fiduciary responsibilities, the Directors deliberate and review the financial performance, the execution of strategic plans, the principal risks faced and the effectiveness of management mitigation plans, the appraisal of the Management, succession plan as well as the integrity of management information and systems of internal control of the Group.</p> <p>Executive Director meets with the respective Heads of Departments on a regular basis where policies, strategies and operational matters are deliberated and brought to the attention of the Board, where appropriate, during the Board Meetings.</p>

	<p>The respective roles and responsibilities of the Board and Management are clearly set out and understood to ensure accountability.</p> <p>The Board assumes the ultimate accountability and responsibility for the stewardship of Vsolar are as follows and are set out in the Board Charter which is available at the Vsolar Website:</p> <ul style="list-style-type: none"> <li>• Reviewing and approving of the corporate strategies and plans of the Group, monitoring the implementations through the annual budget and financial plans</li> <li>Overseeing and monitoring the conduct and overall performance of the Group.</li> <li>• Overseeing the process for identifying principal risks and ensuring that appropriate control systems, monitoring and reporting mechanism are in place to effectively monitor and manage these risks.</li> <li>• Appointing and assessing the performance of the Executive Director and overseeing the succession plans for the senior management team.</li> <li>• Overseeing the development and implementation of shareholders' communication policy for enhancing and protecting of the reputation of the Group.</li> <li>• Reviewing and overseeing the adequacy and the integrity of the management information and control systems of the Group.</li> <li>• Ensuring that Vsolar adheres to high standards of ethics and corporate behaviours. The Board maintains specific Board Committees namely Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC").</li> </ul> <p>The Board Committees ensure greater attention, objectivity and independence are provided in the deliberations of specific board agenda. The Board has defined the terms of reference for each Committee and the Chairman of the respective Committees will report and update the Board on significant matters and salient matters deliberated in the Committees.</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

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>	:	The Board is led by an Independent Chairman, namely Encik Khairul Azwan bin Harun.  As the Independent Chairman of the Company, he is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its roles and setting its agenda which mainly focus on strategy, performance, corporate governance and value creation. When running the Board Meetings, he maintains a collaborative atmosphere and ensures that all Directors contribute to debates and a consensus is reached.	
<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 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Encik Khairul Azwan bin Harun is the Independent Chairman of the Company while Mr. Koo Kien Yoon is the Executive Director who is also acting as the Chief Executive Officer of the Company.</p> <p>Their roles are separate and there is a clear division of responsibilities to distinguish between the provision of leadership to the Board and the executive responsibility for running the Group's business.</p> <p>The roles and responsibilities of the Chairman and Executive Director are clearly defined in the Board Charter.</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 and assisted by an external Company Secretary. The Company Secretary of Vsolar is qualified to act as Company Secretary under Section 235 of the Companies Act 2016 (“the Act”), of which she is an Associate Member of the Malaysian Institute of Chartered Secretaries &amp; Administrators. The Company Secretary provides the required support and assistance to the Board in carrying out its duties and stewardship role and also provides the necessary advice with regards to the Act, the Company’s Constitution, Board’s policies and procedures as well as compliance with all the regulatory requirements, codes, guidance and legislation.</p> <p>All Directors also have full and unrestricted access to the advice and services of the Company Secretary 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 Secretary as well as external consultants. The Company Secretary with the Executive Director will assist the Chairman of the Board and Chairmen of Board Committees to deal with the Board agenda and to provide the relevant information and documents to the Directors on a timely basis. The Board is satisfied with the support and performance provided by the Company Secretary in assisting the Board to discharge its duties.</p> <p>The Board is of the view that the Company Secretary has 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.</p> <p>The Board is satisfied with the performance and services rendered by the Company Secretary to the Board.</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 1.5

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 Management by the Company Secretary during the first quarter Board Meeting to aid and facilitate the Directors in scheduling and meeting their time commitments.</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 the Board's papers and Board Committees' 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 papers and seek clarification, if necessary, and enable them to deliberate issues raised during the Board Meetings more effectively. Additionally, the Management was also invited to brief and report in the 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 Secretary, external and internal auditors. The Management, external and internal auditors were invited to attend Board and/or the Board Committees 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. 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 the Board Meetings and Board Committees Meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.</p>

	<p>The Company Secretary will circulate the draft minutes of Meetings to the Members of the Board and Board Committees for their review in a timely manner. The Company Secretary will also follow up with the Management on status of actions taken with reference to the previous minutes of Meetings for updating the Board and/or Board Committees. Action items would stay as matters arising in the minutes of Meetings until they are resolved.</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**

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>	:	<p>The roles and responsibilities of the Board and Management, the Board Committees and the individual Directors are set out in the Board Charter which is available at the Vsolar Website. The Board Charter will be reviewed as and when the need arises to keep it current and relevant at all times.</p> <p>The Board will enhance its Board Charter and made it available together with the other existing policies on the Vsolar Website, as follows:</p> <ul style="list-style-type: none"> <li>• Board Charter</li> <li>• Terms of Reference of the Board Committees</li> <li>• Code of Ethics</li> <li>• Shareholder Communication Policy</li> <li>• Whistle Blowing Policy</li> <li>• Anti-Bribery and Anti-Corruption Policy</li> <li>• Remuneration Policy</li> </ul>
<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 Code of Ethics (“<b>Code</b>”) of the Company sets out the standards of ethical behaviour and values expected of Directors and employees and serves as a guide and reference in the course of the performance of their responsibilities.</p> <p>The Board has implemented appropriate processes and systems to support, promote and ensure its compliance. The Board will periodically review the Code which is available at the Vsolar Website.</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 has adopted a Whistle Blowing Policy which is available on the Company's Website, sets out the disclosure procedures and protection for the whistle blowers to meet the Group's ethical obligations. Employees and stakeholders are encouraged to raise any serious concerns they have on any suspected misconduct or malpractices without fear of victimisation in a responsible manner rather than avoiding or overlooking them.</p> <p>All whistle-blowing reports are addressed to Mr. Ng Chee Kin, the Independent Director and Member of the AC. This policy is administered by the AC with the assistance of the Management and overseen by 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

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 majority of the Board comprises Independent Directors who bring objective and independence judgements to facilitate a balanced leadership in the Group. There are currently five (5) Members on the Board, of whom four (4) are Independent Directors.</p> <p>The Board recognises the importance of independence and objectivity in the decision-making process. All Independent Directors must declare their personal independence to the Board based on the criteria as set out in the ACE Market Listing Requirements (“<b>Listing Requirements</b>”) of Bursa Malaysia Securities Berhad (“<b>Bursa Securities</b>”).</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>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	<p>The Board has implemented a nine-year policy for Independent Directors, whereby it shall not exceed a cumulative term limit of nine years. However, an Independent Director may continue to serve on the Board beyond nine years subject to his or her re-designation as a Non-Independent Director.</p> <p>In the event that said Director is to remain designated as an Independent Director, the Board shall, upon the recommendation by the NC, justify and obtain the shareholders' approval for the Director concerned to be retained as an Independent Director.</p> <p>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.</p> <p>At the forthcoming Annual General Meeting of the Company ("<b>AGM</b>"), Encik Abdul Menon bin Arsad @ Abdul Manan bin Arshad and Mr. Ng Chee Kin have served as an Independent Directors for more than nine (9) years and the Board shall seek the shareholders' approval at the AGM for their retention as an Independent 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 4.3 - Step Up**

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

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

**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>Vsolar is led and managed by a diverse competent and experienced Board with a mix of suitably qualified and experienced professionals having wide and varied spectrum of expertise in the fields of business, accounting, finance, taxation, legal, facility administration and management, property management, financial management, corporate and business advisory.</p> <p>This enables the Board to carry out its responsibilities effectively and ensures accountability. The current Board is drawn from different cultural and socio-economic background with their age ranging from 35 years old to 74 years old to ensure that different viewpoints are considered in the 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 4.5

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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Although presently there is no gender diversity policy adopted by the Company, the Board opined that given the current state of the Group's business and lifecycle, it is more important to have the right mix of skills on the Board rather than to attaining the 30% threshold.	
		Nevertheless, the Board is on the outlook for potential women Directors and shall appoint additional women Directors as and when suitable candidates are identified. No timeframe has been set for the search concerned.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	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.

<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 17 October 2018:</p> <ol style="list-style-type: none"><li>1) 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.</li><li>2) The NC, which is also 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.</li><li>3) The NC will where practical maintain a database of potential candidates. Potential candidates can be sourced from:<ul style="list-style-type: none"><li>• Existing Directors and substantial shareholders of the Company;</li><li>• Existing Senior Management of the Company;</li><li>• Professional bodies and organisations;</li><li>• Business associates, shareholders; and</li><li>• Others.</li></ul></li><li>4) Upon a decision being made by the Board to appoint new Directors:<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></ol></li></ol>

	<p>(b) The Chairman of the NC and the Executive Director will meet with the identified candidates to assess/reassess their suitability for appointment.</p> <p>(c) The identified candidate, if cleared by the NC, will then be recommended to the Board for consideration and approval.</p> <p>(d) Prior to the appointment, the identified candidates will be invited to an introductory meeting with the full Board to enable the 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.</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**

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>	:	The NC is chaired by Encik Abdul Menon bin Arsad @ Abdul Manan bin Arshad, who is the Senior Independent Director of the Company.	
<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 Board Committees 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 Secretary annually. The Directors will complete the relevant questionnaires regarding the effectiveness of the Board and Board Committees. The assessment completed by all Directors are summarised and tabled at the NC's Meeting and reported at the Board Meeting by the Chairman of the NC.</p> <p>For the financial year ended ("FYE") 2021, 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 Independent Directors.</p> <p>Based on the assessment, the NC was satisfied with the existing Board's 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.</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 Company has put in place remuneration policy and procedures which are premised on the need for then remuneration practices of the Company to be competitive, thereby enabling the Company to attract and retain high-calibre directors and senior management.</p> <p>The component remuneration package of the Executive Directors and Management has been structured to link rewards to corporate and individual performance while the remuneration package of the Non-Executive Directors reflects the experience and level of responsibilities undertaken by individual Non-Executive Directors.</p> <p>The Directors' fees and benefits, which have been reviewed by the RC, are recommended by the Board to the shareholders for approval at the forthcoming AGM.</p> <p>The Remuneration Policy will be reviewed periodically and is available at the Vsolar Website at <a href="http://www.vsolar.com.my">www.vsolar.com.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**

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 terms of reference of the RC is available at the Vsolar Website.	
<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 corporate governance best practice, the disclosure of the Directors' remuneration on a named basis for the FYE 2021 is set out in the tables below:</p> <table border="1"><thead><tr><th>Name of Director</th><th>Remuneration paid by the Company (RM)</th></tr></thead><tbody><tr><td>Khairul Azwan bin Harun</td><td>96,000</td></tr><tr><td>Abdul Menon bin Arsad @ Abdul Manan bin Arshad</td><td>24,000</td></tr><tr><td>Ng Chee Kin</td><td>24,000</td></tr><tr><td>Chuah Hoon Hong</td><td>30,000</td></tr><tr><td><b>Total:</b></td><td><b>174,000</b></td></tr></tbody></table>	Name of Director	Remuneration paid by the Company (RM)	Khairul Azwan bin Harun	96,000	Abdul Menon bin Arsad @ Abdul Manan bin Arshad	24,000	Ng Chee Kin	24,000	Chuah Hoon Hong	30,000	<b>Total:</b>	<b>174,000</b>
Name of Director	Remuneration paid by the Company (RM)													
Khairul Azwan bin Harun	96,000													
Abdul Menon bin Arsad @ Abdul Manan bin Arshad	24,000													
Ng Chee Kin	24,000													
Chuah Hoon Hong	30,000													
<b>Total:</b>	<b>174,000</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

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 Board is of the view that the disclosure of the senior management's remuneration will impinge on the confidentiality and privacy of the respective individuals and may result in negative repercussions on the Group's human resources taking into consideration the size and dynamics of the Group's current operations.</p> <p>The Board is of the view that the negative repercussions and implications far outweigh the benefits to be derived from adopting the disclosures under Practice 7.2.</p> <p>The Board also believes that the interest of the shareholders will not be prejudiced or compromised as a consequence of non-disclosure on a named basis, the remuneration of its key management's remuneration.</p> <p>Disclosure of the remuneration of the Directors on a named basis has been made in line with Practice 7.1. The Board is entrusted with the stewardship role in driving the performance of the Groups and its results reflected in the disclosures made in the audited financial statements of the Group.</p> <p>In Vsolar, the assessment of the senior management to ensure that their remuneration is commensurate with their individual performance taking into consideration the Company's performance is entrusted to the Board's RC.</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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	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.

<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>	:	The Chairman of the AC, Mr. Chuah Hoon Hong, is not the Chairman of the Board.	
<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 8.2**

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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	None of the current members of the AC is a former key audit partner involved in auditing the Company and/or its subsidiaries.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### 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 AC has been appointed Messrs. CAS Malaysia PLT ("<b>CAS</b>") as Auditors of the Company with effect on 18 May 2021. AC had carried out an assessment of the performance and suitability of CAS based on the quality of services, sufficiency of resources, adequate resources and trained professional staff assigned to the audit.</p> <p>The AC has been generally satisfied with the independence, performance and suitability of CAS and are recommending to the Board and shareholders for approval for the re-appointment of CAS as External Auditors for the financial year ending 30 June 2022.</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>	:	The AC consists of three (3) members, of which all are Independent Directors.  <u>The Members of the AC</u> Mr. Chuah Hoon Hong – Chairman Encik Abdul Menon bin Arsad @ Abdul Manan bin Arshad – Member Mr. Ng Chee Kin – Member

### 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>	:	The assessment of performance of the AC is conducted annually.  The NC is satisfied with the performance of the AC and each of its members and that they have carried out their duties in accordance with the terms of reference of the AC.  The Chairman and Members of the AC are financially literate and the trainings, if any, attended by them during FYE 2021 are disclosed in the Corporate Governance Overview Statement on pages 28 to 33 of the Annual Report 2021.	
<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>Risk Management is regarded by the Board to be an integral part of the business operations and good governance practices. Risk is inherent in all business activities, and the Group's objective is not to eliminate risk totally but to provide structural means to identify, prioritise and manage risks involved in all the Group's activities and to balance between the costs and benefits of managing and treating risks, as well as the anticipated returns to be derived therefrom. The Executive Director together with Heads of Departments review and update the risks face by the Group to ensure that existing mitigation actions against such risks are adequately addressed and reported to the AC and ultimately the Board. In the periodic management meetings, key risks and mitigating controls are deliberated.</p> <p>The Board is overall responsible for maintaining and ensuring the integrity of a sound system of Internal Control which supports effective and efficient operations to safeguard shareholders' interests and the Group's business and assets. The internal audit function currently reviews and appraises the risk management and internal control processes of the Group. The Statement on Risk Management and Internal Control set out on pages 37 to 38 of the Annual Report 2021 provides an overview of the Group's approach to ensuring the effectiveness of the risk management and internal processes within the Group.</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 9.2**

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>	:	The features of the Group’s risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control on pages 37 to 38 of the Annual Report 2021.	
<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 9.3 - 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>	:	Not Adopted
<b>Explanation on adoption of the practice</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 10.1**

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 internal audit function is outsourced to an independent professional consulting firm to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group.</p> <p>The internal auditors’ independence is maintained by reporting functionally to the Board through the AC and administratively to the Management.</p> <p>Internal audit reports which are issued will be tabled to the AC for review and the Management is required to be present at the AC Meetings to respond and provide feedback on the audit findings and recommended improvements.</p> <p>In addition, the Management is also required to present to the AC in the Meetings on the status updates on significant matters and changes in key processes that could impact the Group’s operations.</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 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 internal audit function is outsourced to Wensen Consulting Asia (M) Sdn. Bhd. (“<b>Wensen</b>”) which has relevant qualifications and experiences in internal auditing.</p> <p>Wensen’s engagement director in charge of the Group’s internal audit is Mr. Edward Yap Choon Wah, who is a Certified Internal Auditor of The Institute of Internal Auditors Malaysia. He is also a Certified Practising Accountant with CPA Australia, a Chartered Member of The Institute of Internal Auditors Malaysia and a Chartered Accountant of the Malaysian Institute of Accountants. He has more than 20 years of international and local audit experiences.</p> <p>For the FYE 2021, the internal audit scope was to assess the adequacy and effectiveness of the internal control system of Vsolar and the practice adopted on this assignment was guided by the International Professional Practices Framework issued by the Institute of Internal Auditors and carried out in accordance with an audit plan approved by the AC.</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 is committed to ensuring that communications to the shareholders and public investors in general, regarding the businesses, operations and financial performance of the Group is timely and factual and are available on an equal basis.</p> <p>The release of announcements and information by the Group to Bursa Securities are handled by the Executive Director or the Company Secretary within the prescribed requirements of the Listing Requirements.</p> <p>Information is disseminated via annual reports, circulars/statements to shareholders, quarterly and annual financial statements, and announcements from time to time. As these announcements and information can be price-sensitive, they are only released after having being reviewed by the Executive Director.</p> <p>The Vsolar Website also provides all relevant information to stakeholders and the investing community. Quarterly and annual financial statements, announcements, financial information, annual reports and circular/statements to shareholders are uploaded onto the said website for investors and the public.</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>	:	The Company is not a Large Company as defined by Malaysian Code of Corporate Governance. The Company has not adopted integrated reporting based on the globally recognised framework as it is not a statutory requirements.	
		The Annual Report presently contains financial and non-financial information which provides a fairly comprehensive overview of the Group.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**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 Notice of the forthcoming 18th AGM is issued on 29 October 2021 whilst the AGM will be held on 26 November 2021. The Notice is served to the shareholders for more than twenty-eight (28) days.	
<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>	:	<p>All Directors, including the Members of the AC, NC and RC, attended and participated at Vsolar’s AGM in 2020.</p> <p>The presence of all directors presented opportunities for the shareholders to engage with each Director and also allowed the shareholders to raise questions and concerns directly to the 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**

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	Vsolar currently has 19,422 shareholders as at 1 October 2021.  The Company is having its AGM via fully virtual basis and its AGM will be held on 26 November 2021.	
<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>	:		

**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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