

## **Corporate Governance Policy**

The Board recognises the importance of adopting high standards of corporate governance in the Company in order to safeguard stakeholders' interests as well as enhancing shareholders' value. The Directors consider corporate governance to be synonymous with four key concepts, namely transparency, accountability, integrity as well as corporate performance.

This corporate governance statement ("Statement") sets out how the Company has applied the 8 Principles of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and observed the 26 Recommendations supporting the Principles during the financial year following the release of the MCCG 2012 by the Securities Commission of Malaysia in late March 2012. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

### **Principle 1 – Establish clear roles and responsibilities**

#### **1.1 Board should establish clear functions reserved for Board and Management**

To enhance accountability, the Board has established clear functions reserved for the Board and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance. Such delineation of roles is clearly set out in the Board Charter ("Charter"), which serves as a reference point for Board activities.

The Charter, which is reviewed annually by the Board to ensure its relevance with prevailing requirements, provides guidance for Directors and Management regarding the responsibilities of the Board, its Committees and Management; the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company; as well as boardroom activities. As at the end of the financial year under review, the Board Charter had not been made publicly available. Nonetheless, steps have been taken to upload the salient features of the Charter on the Company's website at [www.asiabio.com.my](http://www.asiabio.com.my) in line with Recommendation 1.7 of the MCCG 2012.

To assist the Board in fulfilling its duties and responsibilities, the Board has established the Audit Committee, Nomination Committee and Remuneration Committee. Each committee is tasked with specific functions to operate within its terms of reference, which are included in the Charter. The ultimate responsibility for decision making, however, lies with the Board.

#### **1.2 Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions**

##### Reviewing and adopting a strategic plan for the Company

The Board reviewed the strategic plan of the Company tabled by Management at its meeting. The strategic plan would cover the performance targets and long term plans of the Company. It is expected that on an annual basis, Management would table an annual budget for the new financial year. In addition, for any new business incubations, a proper and well researched board paper would be required for tabling at the Board meeting so that the

matter could be deliberated and decided without delay.

The Chairman would lead the discussion on the strategic plans for the Company. The Board is satisfied with the strategic plan of the Company as presented by the Chairman. The Board would continue to review the strategic plan to ensure its implementation.

#### Overseeing the conduct of the Company's business

The Board of Directors' meetings are chaired by the Chairman who is an Independent Non-Executive Director. This is to ensure a balance of power and authority. Day to day management is controlled by the Executive Directors and a management team in managing the Company's business. The Board's role is to oversee the performance of management to determine whether the business is properly managed. The Board gets updates from Management at the quarterly Board meeting when reviewing the unaudited quarterly results and annual audited financial statements. During such meetings, the Board participated actively in the discussion of the performance of the Company.

The performance of the Executive Directors are reviewed annually by the Remuneration Committee in accordance with its terms of reference. The assessment process is based on the remuneration framework for the Executive Directors.

### **1.2 Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions**

#### Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The Company formed a Group internal audit division ("GIA"), which is assisted by an external service provider as and when required, to assist the Board in establishing an Enterprise Risk Management framework for the Group, formalizing, amongst others, the processes to identify, evaluate, control, report and monitor significant business risks faced by the Group. The Board has approved the Enterprise Risk Management Framework for adoption across the Group. The Board, via its Audit Committee reviews the outcome of risk assessment, including the implementation of appropriate internal controls and mitigation measures to address the risks identified.

Further details of the Enterprise Risk Management Framework are set out in the Statement on Risk Management and Internal Control of our Annual Report.

#### Succession planning

The Board views succession planning as important for business continuity. It is acknowledged that with succession planning, the key job vacancies created due to retirement and resignation would be filled quickly and without any business interruption. To ensure its success, the Board has adopted a succession plan to ensure that there are programmes in place to provide for the orderly succession of senior management.

#### Overseeing the development and implementation of a shareholder communications policy for the Company

The Company's website at [www.asiabio.com.my](http://www.asiabio.com.my) contains an Investor Relations section where the shareholders could communicate with the Board through the designated Investor Relations officer. The Board has also identified a Senior Independent Director to whom the

shareholders can communicate with on matters regarding the Company.

#### Reviewing the adequacy and the integrity of the management information and internal controls system of the Company

The Board acknowledges the importance of the adequacy and integrity of the information and internal controls system of the Company. Details of the Group's internal control system are set out in the Statement on Risk Management and Internal Control of our Annual Report.

### **1.3 Formalise ethical standards through code of conduct and ensure its compliance**

The Company has in place a Code of Conduct. The Board understands the importance of having a Code of Conduct for the Directors and employees. The Board has taken steps to upload a summary of the Code of Conduct in the Company's website.

Meanwhile, the Board has in place a Whistle Blowing Policies and Procedures for the employees to raise genuine concerns about possible improprieties in matters of financial reporting, compliance, malpractices and unethical business conduct within the Group.

### **1.4 Ensure the Company's strategy promote sustainability**

The Board recognises the need for the Company's strategy to include sustainability on the operations. A sustainability process would help the Company to set goals, measure its performance and manage changes in its business. The effort would continue to be monitored by the Board in helping to shape the Company's strategy and policy and ultimately to improve the overall performance.

The details of the sustainability efforts are set out in the Sustainability and Corporate Social Responsibility section under Other Compliance Information in our Annual Report.

### **1.5 Procedures to allow Directors access to information and advice**

The Company's Board Charter provides a procedure to access to information and independent advice by the Board and Committees. Management is required to supply the Board and Committees with information in a form, timeframe and quality that enables them to effectively discharge their duties. The Directors are provided with copies of the Board papers prior to each meeting to give the Directors sufficient time to evaluate the proposals and if necessary, to request additional information necessary in discharging their duties effectively. The Board has a formal schedule of matters specifically reserved to it for decision, and has clearly defined delegation of responsibilities to committees of the Board and to management including appropriate limits of authority. The Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. A Director may seek independent legal, financial or other advice as they consider necessary at the expense of the Company as a full Board or in their individual capacity, in the furtherance of their duties.

### **1.6 Ensure Board is supported by suitably qualified and competent Company Secretaries**

The Company Secretaries of the Company are suitably qualified and competent to support the Board. The Board is regularly updated by the Company Secretaries on the latest regulatory updates. The Board has access to the advice and services of the Company Secretaries who are responsible for ensuring that the established procedures and relevant statutes and regulations are complied with.

## **1.7 Formalise periodically review and make public the Board Charter**

A copy of the Board Charter has been published in the Company's website. The Board Charter sets out the composition of the Board, duties and responsibilities on matters relating to strategy and planning, human resource, remuneration, capital management and financial reporting, performance monitoring, risk management, audit and compliance and board processes and policies, Committees, Chairman of the Board, independence of Directors, access to information and independent advice, dealings in securities, orientation and continuing education and Board assessment.

The Board reviews the Board Charter on an annual basis to be consistent with the relevant regulatory requirements.

## **Principle 2 – Strengthen composition**

### **2.1 Establish a Nomination Committee comprising exclusively non-executive directors, with majority independent**

The composition of the Nomination Committee comprises exclusively Non-Executive Directors with a majority of Independent Directors. The Nomination Committee will meet once every year to deliberate matters within its terms of reference.

The terms of reference of the Nomination Committee provided that the Nomination Committee shall be appointed by the Board and shall consist of not less than two (2) members of which comprising exclusively non-executive directors, the majority of whom shall be independent directors. The Board will identify a Senior Independent Director who is also the Chairman of the Nomination Committee to deal with any concern from the shareholders.

The terms of reference of the Nomination Committee also outlined the responsibilities and duties in relation to selection and assessment of new and existing directors.

During the financial year, the Nomination Committee will meet once to perform the annual assessment of the Board, Committees and individual directors. The Nomination Committee will also meet with the proposed Directors prior to their appointment as the Directors of the Company. It will also assess the proposed Directors before recommending the same for the approval of the Board.

### **2.2 Nomination Committee should develop, maintain and review criteria for recruitment process and annual assessment of directors**

The Nomination Committee is responsible for reviewing the proposed candidate based on the selection criteria expected of a director and makes recommendation to the Board if the proposed candidate is found to be suitable. The decision on new appointment of directors rests with the Board after considering the recommendation of the Nomination Committee.

The Board has also entrusted the Nomination Committee with the responsibility for carrying out evaluation of board effectiveness in the areas of composition, roles and responsibilities, and whether the respective Board Committees effectively discharge their functions and duties in accordance with their terms of reference. The assessment of Board members takes into account the ability of each member to give material input at meetings and demonstrate high level of professionalism and integrity in decision making process. The Nomination Committee annually reviews the composition of the Board to ensure that the Board has the

appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

The Board through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the background, experience, knowledge and skills critical to the Group's business and that each Director with his special contributions brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. As part of the learning process for new Directors, the Nomination Committee arranges induction sessions for these Directors to meet with the respective Heads of Departments to understand the business of the Group.

The Nomination Committee conducts an annual assessment of the Board as whole and individually of the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and the effectiveness of the Board of Directors as a whole, the Board Committees and contribution of each individual Director, including Independent Non-Executive Directors. It also conducts an assessment of the Directors who are subject to retirement at the forthcoming annual general meeting in accordance with the Articles of Association of the Company.

The Nomination Committee takes part in the recruitment of new Directors upon receiving a nomination for new Directors. The review process would entail the assessment of the candidates' background, experience, knowledge and skills critical to the Group's business. Upon the evaluation of the candidates, the Nomination Committee shall report to the Board of its findings and recommendations. The Board would base on the recommendations of the Nomination Committee to proceed to approve or decline the appointment of the candidates as the new Directors of the Company.

For any requisition of nomination by the shareholders, the Nomination Committee would also perform the same review process. However, if the requisition is by way of sections 144 or 145 of the Companies Act, 1965, the Nomination Committee would still carry out its duties if permitted by the requisitionists.

The Board currently consists of six (6) members of which none is a female Director. The Board is satisfied with the contribution of each member of the Board through the annual assessment by the Nomination Committee. In the event of a vacancy in the Board, the Nomination Committee has been tasked to include the recruitment of female Directors. The Board would endeavour to recruit a female Director and has set itself to meet the Prime Minister's call of having 30% women's representation at boardroom level by year 2016.

### **2.3 Board should establish formal and transparent remuneration policies and procedures to attract and retain directors**

The composition of the Remuneration Committee comprises a majority of Independent Directors. The Remuneration Committee will meet once every financial year to deliberate matters within its terms of reference.

The Remuneration Committee is responsible for reviewing the remuneration of Directors and senior management to ensure that they are at sufficiently competitive levels and recommending to the Board the remuneration of the directors and senior management. The Company has adopted the objectives as recommended by the MCCG 2012 to determine the remuneration of the Directors so as to ensure that the Company attracts and retains

Directors of the quality needed to manage the business of the Group respectively.

The Remuneration Committee will perform its duty to assess annually the remuneration package of its Executive Directors and senior management.

The Board recommends the Directors' fees payable to the Directors on a yearly basis to the shareholders for approval at the annual general meeting in line with the provision of its Articles of Association.

### **Principle 3 – Reinforce independence**

#### **3.1 Board should undertake an assessment of its independent directors annually**

On an annual basis, the Board through the Nomination Committee assesses the Independent Directors. The Nomination Committee has in place an evaluation process and would report to the Board on its findings.

#### **3.2 Tenure of independent director should not exceed cumulative term of 9 years. Upon completion of tenure, independent director can continue serving but as non-executive director**

The Board notes the recommendations of MCCG 2012 and shall address and adhere always to the matter when the time arises.

#### **3.3 Must justify and seek shareholders' approval in retaining independent directors (serving more than 9 years)**

The Board notes the recommendations of MCCG 2012 and shall address and adhere always to the matter when the time arises.

#### **3.4 Positions of Chairman and Chief Executive Officer to be held by different individuals**

The Chairman has separate and distinct responsibilities from the Group Chief Executive / Executive Directors. The Chairman plays a pivotal role in ensuring that the Directors are effectively apprised on the business and operations of the Group through regular meetings and to ensure that decisions are arrived after taking into consideration the interests of all stakeholders. The Executive Directors are responsible for the day-to-day management of the Group's businesses, which includes implementing the policies and decisions of the Board. The Executive Directors reports to the Chairman with respect to matters concerning the Board members and is obliged to report and discuss at board meetings all material matters affecting the Group.

The separation of powers, combined with the presence of the Independent Directors, ensures a balance of power and authority and provides a safeguard against the exercise of unfettered power in decision-making.

#### **3.5 Board must comprise a majority of independent directors if Chairman is not an independent director**

The Board notes the recommendations of MCCG 2012 and shall address and adhere always to the matter when the time arises.

### **Principle 4 – Foster commitment**

**4.1 Board should set expectations on time commitment for its members and protocols for accepting new directorships**

The Board on an annual basis would agree on the meeting dates for the whole year so that each member of the Board is able to plan his schedule accordingly. This helps to ensure that the Board is committed to meet when the time arises.

The Board has also set a guideline on the acceptance of new directorships by the members of the Board. Any Director intending to take any new directorships should notify the Chairman of the Company first prior to accepting the new directorships and also to confirm his commitment that the new directorships would not impair his time commitment with the Company.

**4.2 Board should ensure members have access to appropriate continuing education programme**

The Board determines the training needs of the Directors on a continuous basis and ensures that its members have access to appropriate continuing education programmes. During the financial year, the Directors of the Company will attend relevant conferences, trade fairs, seminars and briefings in areas of corporate governance, finance or industry technologies, some of which were conducted in-house, by the Regulatory Authorities or members of professional bodies, in order to broaden their perspectives and to keep abreast with developments in the market place to better enable them to fulfill their responsibilities.

**Principle 5 – Uphold integrity in financial reporting**

**5.1 Audit Committee should ensure financial statements comply with applicable financial reporting standards**

The Board through the Audit Committee endeavours to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, primarily through the annual reports, quarterly announcements of the Group's results and other price-sensitive public reports. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the accuracy, consistency and appropriateness of the use and application of accounting policies and standards, as well as the reasonableness and prudence in making estimates, statements and explanations.

The Company maintains a formal and transparent and professional relationship with the auditors. On a yearly basis, the Audit Committee would meet with the External Auditors to go through the Audit Planning Memorandum prior to the commencement of the audit. In addition, the Audit Committee would also meet with the External Auditors to discuss with the External Auditors on their report to the Audit Committee following the completion of their audit. The External Auditors would share with the Audit Committee on any significant issues on the financial statements and regulatory updates. The Audit Committee would obtain the confirmation of the External Auditors with regard to the Company's compliance with the applicable financial reporting standards.

**5.2 Audit Committee should have policies and procedures to assess suitability and independence of external auditors**

The Audit Committee has in place an assessment of the External Auditors and would assess them on an annual basis and report to the Board its recommendation for the reappointment of the External Auditors at the annual general meeting. The External Auditors assures the

Audit Committee that they were independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

## **Principle 6 – Recognise and manage risks**

### **6.1 Board should establish a sound framework to manage risks**

The Board had established a sound framework to identify and management significant risks faced by the Group. Such a framework also includes pertinent risk management policies and guidelines to provide structured guidance to personnel across the Group in addressing risk management, The risk appetite of the Group is articulated via the use of risk parameters in the framework, covering financial and non-financial metrics, to assess the likelihood of risks occurring and the impact thereof should the risks crystallise. Internal controls deployed by Management are linked to, and mitigate, the business risks identified.

The Audit Committee works with the Internal Auditors to ensure that the Internal Audit Plan encompasses the audit of the essential services and the follow up on the audits. The Internal Auditors are also required to perform periodic testing of the internal control systems to ensure that the system is robust.

Further details of the risk management framework and the system of internal control of the Group are set out in the Statement on Risk Management and Internal Control of our Annual Report.

### **6.2 Board should establish an internal audit function which reports directly to Audit Committee**

The Group engages third party consultants and others to assist in the internal audit functions for the Group, with the objective for conducting systematic testing and assessment of the Group's internal control system based on an internal audit plan approved by the Audit Committee. Its responsibilities include providing independent and objective reports on the state of internal controls of the significant operating units in the Group to the Audit Committee, with recommendations for improvement to the control procedures, so that remedial actions can be taken in relation to weaknesses noted in the systems.

During the financial year, the internal auditors will carry out review of selected key processes of the Group, covering internal control framework, investment procedures and risk management.

Details of the internal control system are set out in the Statement on Risk Management and Internal Control of our Annual Report.

## **Principle 7 – Ensure timely and high quality disclosure**

### **7.1 Ensure Company has appropriate disclosure policies and procedures**

The Board has in place a Corporate Disclosure Policy in line with the Listing Requirements. The Executive Directors are the spokespersons of the Company on all matters relating to the Company to ensure compliance with the disclosure obligations as well as overseeing and co-ordinating disclosure of information. The Board delegated the authority to the Executive Directors of the Company to ensure that Corporate Disclosure Policy is being adhered to by senior management and Company Secretaries in respect to disclosure obligations. The

Executive Directors are also given the authority to approve all announcements.

**7.2 Encourage Company to leverage on information technology for effective dissemination of information**

The Company's website has a section dedicated to shareholders under Investor Relations (link?) where shareholders can check on the latest announcements of the Company, press release, media news and also to contact the designated person on investor relations matters.

**Principle 8 – Strengthen relationship between Company and shareholders**

**8.1 Take reasonable steps to encourage shareholder participation at general meetings**

The Board encourages the attendance of the shareholders at the Company's annual general meeting. The notice period of the annual general meeting is given to the shareholders in compliance with the minimum of 21 clear days. The shareholders are thus provided with ample time to review the annual report, to appoint proxies and to collate questions to be asked at the annual general meeting.

**8.2 Board should encourage poll voting**

At the commencement of the annual general meeting after the calling of the meeting to order, the Chairman would remind the shareholders, proxies and corporate representatives on their rights to demand for a poll in accordance with the provisions of the Articles of Association of the Company for any resolutions. The Chairman is also aware that he could demand for a poll for substantive resolution to be tabled at the shareholders' meetings.

The Company's share registrar is well equipped to facilitate the conduct a poll should the need arises.

**8.3 Board should promote effective communication and proactive engagements with shareholders**

Shareholders' meetings are important events for the Board to meet the shareholders. The Chairman would allot sufficient time to encourage the shareholders, proxies and the corporate representatives to ask questions pertaining to the matters tabled at the general meetings. The senior management and External Auditors are present at the shareholders' meetings to answer any query that the shareholders, proxies and corporate representatives may ask.