

# Corporate Governance

The Board of Directors of Guinness Anchor Berhad is committed to ensuring that high standards of business ethics and corporate governance are practised throughout the Group through the implementation of effective policies and adoption of good governance practices. The Group embraces the spirit of good corporate governance which has helped in contributing towards the achievement of the Group's strategic goals and values in business. This has had a positive impact on the Group's reputation and business sustainability.

The Board is pleased to report the Company's application of the underlying principles set out in the Malaysian Code on Corporate Governance (Revised 2007) ("the Code") and the extent to which the Company has complied with the Code throughout the financial year ended 30 June 2009.

## 1. BOARD OF DIRECTORS

### The Board

The Group is led by an effective Board which comprises members of caliber from a diverse blend of professional backgrounds with a wide range of business and financial experience, supported by Independent Directors who are able to bring independent judgement on issues of strategy, performance, resources and standards of conduct. A brief profile of each Board member is set out on pages 66 to 69 of this Annual Report.

The Board has formal terms of reference to guide the Directors in the discharge of their responsibility. The Board has the overall responsibility in leading and determining the Group's strategic direction. It oversees the conduct of the Group's businesses, ensuring appropriate control system is in place as well as regularly reviewing such system to ensure its adequacy and integrity. The Board is also responsible for succession planning, including appointing and fixing the remuneration of and, where appropriate, replacing Senior Management.

### Board Balance

The Board currently has nine (9) members including one (1) Alternate Director, of whom two (2) are Executive Directors and four (4) out of the six (6) Non-Executive Directors (including the Chairman) are independent. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority.

The Chairman has never held any executive position in the Group. The Chairman is primarily responsible for ensuring Board effectiveness and conduct whilst the Managing Director is responsible for the day-to-day conduct of the Group's business including the implementation of business plans and strategies approved by the Board and communicating matters to the Board.

The Chairman of the Board, Tan Sri Saw Huat Lye, is the designated Senior Independent Non-Executive Director, to whom concerns pertaining to the Group may be conveyed.

The Board has a balance composition with adequate Board independence that reflects the interest of minority shareholders and provides an effective check and balance. Although all Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined with due regard to risk management. The decisions are arrived at after taking into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the Group conducts its business.

The Directors of the Group adhere to the Code of Ethics established by the Companies Commission of Malaysia for Company Directors. The Code of Ethics sets out the principles in relation to sincerity, integrity, responsibility and corporate social responsibility.

### Board Meetings and Supply of Information

The Board meets on a quarterly basis, and additional meetings are convened as and when necessary. During the financial year ended 30 June 2009, four (4) Board meetings were held and all the Directors attended the said meetings.

At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. There is a schedule of matters reserved specifically for the Board's decision including the approval of quarterly financial statements, the annual strategy plan, major acquisitions or disposal of a business or assets, appointment of Board / Board Committee members, declaration of dividends, related party transactions, changes to management and control structure of the Group, key policies, procedures and authority limits and such other relevant matters significantly affecting the Group's operations.

The Directors are provided with the notice, setting out the agenda items and supplied with comprehensive Management reports or information on a timely basis for their perusal prior to the Board meeting to enable them to effectively discharge their duties and responsibilities. In addition to financial information, the Management reports include other information such as:

- Productivity and product quality measures
- Marketing and sales activities
- Market share and market trends
- Developments on human resource
- Environmental and industry issues

Where necessary, Senior Management will be invited to attend Board meetings to provide additional information and clarify any issues raised by the Directors relating to any relevant business tabled at Board meetings. All issues discussed and all decisions made during the Board Meeting will be properly recorded by the Company Secretaries.

The Board is regularly updated and kept informed of the latest developments in the legislations and regulatory framework affecting the Group. All members of the Board have unrestricted and constant access to and interaction with the Senior Management. All Directors have access to the advice and services of the Company Secretaries.

The Board has also approved a procedure for Directors, whether as a full Board or in their individual capacity, to obtain independent professional advice at the Company's expense, where necessary, to enable them to discharge their responsibilities.

### **Board Committees**

The Board has delegated specific responsibilities to Board Committees as well as various sub-committees to assist the Board in the running of the Group. The functions and terms of reference of the Board Committees as well as authority delegated by the Board to these Committees have been clearly defined by the Board.

There are four (4) Board Committees namely the Nomination Committee, Remuneration Committee, Executive Committee and Audit Committee. These Committees examine specific issues and report to the Board with their recommendations. The ultimate responsibility for decision-making lies with the Board.

Details of the responsibilities and activities of these Committees are set out below.

### **Nomination Committee**

The Code endorses as good practice, a formal procedure for appointments to the Board, with a Nomination Committee to make recommendations to the Board and assessing Directors on an on-going basis. The Code, however, states that this procedure may be performed by the Board as a whole, although as a matter of good practice, it recommends that this responsibility be delegated to a committee.

All Directors were previously involved in the process of assessing existing Directors and identifying, nominating, recruiting, appointing and orientating new Directors but the Board had reviewed this position and set up a Nomination Committee on 28 May 2001. The Nomination Committee comprises entirely of Non-Executive Directors with the majority being Independent, as follows:

- Tan Sri Saw Huat Lye (Chairman, Senior Independent Non-Executive Director)
- Dato' Jaffar Indot (Independent Non-Executive Director)
- David Neill Moore (Non-Independent Non-Executive Director)
- Dr Leslie Buckley (Non-Independent Non-Executive Director)
- Sreesanthan Eliathamby (Independent Non-Executive Director)  
(Appointed on 26 November 2008)

The Nomination Committee is responsible for proposing and recommending suitable candidates to the Board and to fill the seats on Board committees. The Nomination Committee will review the composition and effectiveness of the Board and the Board Committees in terms of the required mix of skills, expertise, attributes and core competencies of the Directors as well as the contribution of each individual Director on a yearly basis.

## CORPORATE GOVERNANCE

The salient terms of reference of the Nomination Committee are set out below:-

- (i) To recommend to the Board, candidates for all directorships of the Company and its subsidiaries to be filled by the nominees of the major shareholders or the Board of Directors of the Company for any vacancies on the Boards of the Company and its subsidiaries;
- (ii) To consider, in making its recommendations, candidates for directorships proposed by the Managing Director and within the bounds of practicability, by any other senior executive or any director or shareholder;
- (iii) To recommend to the Board of Directors on the establishment of new committees or the dissolution of any existing committees of the Board which no longer serves its purpose; and
- (iv) To recommend to the Board of Directors to fill the seats on any Board Committees.

In discharging the above responsibilities, the Nomination Committee needs to report the following to the Board of Directors:-

- (i) The effectiveness of the present size of the Board of Directors;
- (ii) The effectiveness of the composition of the Board of Directors in relation to the mix of Independent Directors, Non-Executive Directors and Executive Directors;
- (iii) The effectiveness of the composition of the Board of Directors in relation to the mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board, and which should be disclosed in the annual report;
- (iv) The existence or potential existence of conflict of interests, of any present Directors or any new Directors who may be nominated, with the businesses of the Company;

(v) The contribution of individual Directors in relation to the effective decision making of the Board of Directors; and

(vi) To determine a continuous education program for Board members to upgrade their skills in enhancing their effective contribution.

The Nomination Committee, pursuant to its recent annual review, was satisfied that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills and experience and the Board has adequate independent element that reflects the interest of minority shareholders and provides an effective check and balance. The Nomination Committee was also satisfied that the Board comprises individuals of caliber credibility with necessary skills and qualifications which will enable the Board discharge its responsibility effectively.

Meetings of the Nomination Committee are held as and when required, and at least once a year. During the financial year ended 30 June 2009, one (1) meeting was held and the details of attendance of the members of the Nomination Committee are as follows:-

Name of Members	No. of Nomination Committee meeting attended
Tan Sri Saw Huat Lye	1 out of 1 meeting
Dato' Jaffar Indot	1 out of 1 meeting
David Neill Moore	1 out of 1 meeting
Dr Leslie Buckley	1 out of 1 meeting
Sreesanthan Eliathamby (Appointed on 26 November 2008)	Note 1
Tan Sri Dato' Alwi Jantan (Retired on 26 November 2008)	1 out of 1 meeting held from 1 July 2008 to the date of his retirement

Note 1 : No meeting was held from the date of his appointment to 30 June 2009.

### Re-election of Directors

In accordance with Article 96 of the Company's Articles of Association ("Articles"), any new Director appointed by the Board shall hold office only until the next Annual General Meeting of the Company and shall be eligible for re-election.

Article 89 of the Articles provides that one-third of the Directors shall retire from office by rotation at each Annual General Meeting and all Directors, including the Managing Director, shall retire from office at least once every three years but shall be eligible for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Directors who are of the age of 70 and above shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

The Nomination Committee reviews and assesses annually the re-election / re-appointment of retiring Directors who seek re-election / re-appointment at the Company's Annual General Meeting. The Nomination Committee will thereupon submit its recommendation on the proposed re-election / re-appointment of Directors to the Board for consideration before tabling the same for shareholders' approval.

### Directors' Training

As an integral element of the process of appointing new Directors, the Nomination Committee will ensure that an induction session is arranged for new Directors to enable them to have a full understanding of the nature of the businesses, current issues within the Group and corporate strategies as well as the structure and management of the Group. Directors will also receive such further training that may be required from time to time to keep them abreast with relevant changes in laws and regulations, and the business environment.

All Directors have completed the Mandatory Accreditation Programme and fulfilled the Continuing Education Programme requirements as prescribed by the Listing Requirements of Bursa Securities.

The Board has taken the onus to review, evaluate and determine the training needs of the Directors. During the financial year ended 30 June 2009, an in-house training programme which covered the following topics, was organised for the Company's Directors:-

- Evaluating the performance of the Board
- Irrespective of deluge of regulatory requirements, corporations continue to fail, why?
- Economic uncertainty and its impact on Malaysian businesses.

During the said financial year, some of the Directors have also attended training programmes, seminars and conferences organised by the relevant regulatory authorities and professional bodies in areas of leadership, corporate governance, changes to the statutory requirements and regulatory guidelines and other areas relevant to the Industry.

The Board will on a continuous basis, evaluate and determine the training needs of the Directors.

## 2. DIRECTORS' REMUNERATION

### Remuneration Committee

The Remuneration Committee with the majority being Non-Executive Directors, comprises the following members:-

- Tan Sri Saw Huat Lye (Chairman, Senior Independent Non-Executive Director)
- Charles Henry Ireland (Non-Independent Executive Director)
- Dato' Jaffar Indot (Independent Non-Executive Director)
- David Neill Moore (Non-Independent Non-Executive Director)
- Dr Leslie Buckley (Non-Independent Non-Executive Director)

The Remuneration Committee is responsible for recommending to the Board the policy framework on terms of employment and on all elements of the remuneration of Executive Directors and members of the Senior Management of the Company. The Remuneration Committee is authorised to review and recommend the annual bonus and salary increment of the Executive Directors and members of the Senior Management of the Company. Remuneration of Non-Executive Directors is decided by the Board as a whole. Individual Directors shall abstain from deliberations and voting on their own remuneration at the Board and Remuneration Committee meetings.

## CORPORATE GOVERNANCE

The salient terms of reference of the Remuneration Committee are set out below:-

- (i) To recommend to the Board a competitive compensation and remuneration package for Executive Directors and Senior Management staff (both present and potential future) in order to attract and retain outstanding individuals with the skills and experience needed to manage the Group's business successfully;
- (ii) To recommend to the Board a competitive compensation and remuneration package for Non-Executive Directors in order to attract and retain outstanding individuals of integrity, caliber, credibility and who have the necessary skills and experience to bring an independent judgement to bear on the issues of strategy, performance and resources for the success of the Group; and
- (iii) To review and recommend the annual compensation and rewards for all individual Directors and Senior Management staff (both present and potential future).

In discharging the above responsibilities, the Remuneration Committee needs to ensure the following:-

- (i) The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman should be a matter for the Board as a whole; and
- (ii) All Directors should abstain from discussion of their own remuneration.

Meetings of the Remuneration Committee are held as and when required, and at least once a year. During the financial year ended 30 June 2009, two (2) meetings were held and all members attended the said meetings.

### Level and Make-up of Remuneration

The Group has adopted a formal procedure to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. In the case of Executive Directors, the component parts of their remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, their remunerations reflect the experience, level of responsibilities and contributions and the time spent in attending to the Group's matters.

### Remuneration Package

The remuneration package for Directors is as follows:

#### (a) Basic Salary for Executive Directors

The Remuneration Committee recommends to the Board the basic salary for the Executive Directors after taking into account the performance of the Executive Directors, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies.

#### (b) Fees and Allowances for Non-Executive Directors

Currently, Non-Executive Directors are paid a fixed fee of RM30,000 per annum and a meeting allowance of RM1,000 for each Board and Board Committee meeting that they attended. The Chairman of the Board, in addition to the said fixed fee, will also be paid an allowance of RM80,000 per annum.

The Board, based on the recommendation of the Remuneration Committee, proposed an increase of the annual fee from RM30,000 per annum to RM45,000 per annum for each Non-Executive Director and a payment of an allowance of RM5,000 per annum to the Chairman of the Audit Committee and RM2,000 per annum to the Chairmen of the other Board Committees for the financial year ending 30 June 2010. The proposed fee increase and allowance will be tabled for shareholders' approval at the Company's 45th Annual General Meeting.

**(c) Bonus Scheme**

The Group sets up a bonus scheme for all employees including the Executive Directors. The criteria for the scheme is the level of profit achieved from the Company's businesses against targets, together with an assessment of each individual's performance. Bonuses payable to Executive Directors are reviewed by the Remuneration Committee and approved by the Board.

**(d) Benefits in Kind**

Other customary benefits (such as motor vehicles, mobile phones and club memberships) are made available to Executive Directors as appropriate.

**(e) Contribution to Employees Provident Fund**

Contributions are made to the Employees Provident Fund in respect of all Malaysian Executive Directors.

**(f) Notice Period**

The notice period for termination of contract of service of Executive Directors by either the Company or the Executive Directors is three months written notice.

**Directors' Remuneration**

The details of the remuneration paid to Directors (including past Directors) for the financial years ended 30 June 2008 and 2009 are as follows:

Remuneration	2009		2008	
	Executive Directors RM'000	Non-Executive Directors RM'000	Executive Directors RM'000	Non-Executive Directors RM'000
Fees & Chairman allowance	-	280	-	270
Meeting attendance allowance	-	88	-	81
Benefits in kind*	547	31	556	31
Salary & Other emoluments**	2,305	-	2,272	-
<b>Total</b>	<b>2,852</b>	<b>399</b>	<b>2,828</b>	<b>382</b>

Notes:

\* Benefits in kind include rental payments, motor vehicles, club memberships and personal expenses.

\*\* Other emoluments include bonuses, incentives, retirement benefits, provisions for leave and allowances.

## CORPORATE GOVERNANCE

The number of Directors of the Company (including past Directors) whose total remuneration including benefits-in-kind for the financial year ended 30 June 2009 which fall within the required disclosure bands are as follows:-

Range of Remuneration	No. of Directors
<b>Non-Executive Directors</b>	
0 to RM50,000	7
RM100,001 to RM150,000	1
<b>Executive Directors</b>	
RM950,001 to RM1,000,000	1
RM1,850,001 to RM1,900,000	1

### 3. EXECUTIVE COMMITTEE ("EXCO")

The responsibilities of the EXCO are to discuss matters in relation to the business, financial performance and strategy of the Group. They are to make recommendations and suggestions for approval by the Board where appropriate and to make decisions on behalf of the Board where permitted.

The EXCO with a majority being Non-Executive Directors comprises the following members:

- Tan Sri Saw Huat Lye (Chairman, Senior Independent Non-Executive Director)
- Charles Henry Ireland (Non-Independent Executive Director)
- David Neill Moore (Non-Independent Non-Executive Director)
- Dr Leslie Buckley (Non-Independent Non-Executive Director)

The salient terms of reference of the EXCO are set out below:-

- To review the business and financial performance of the Group, including:
  - annual budgets (and the implementation of approved capital and operational expenditure), management accounts, statutory Directors' Report and financial statements; and

- proposals for the acquisition or disposal of businesses, mergers, restructuring, joint ventures or other corporate transactions;
- To raise and resolve in a timely manner normal operational business issues affecting the Group which cannot be resolved by Management;
  - To discuss business strategies and plans to be recommended to the Board, and to consider and, if thought fit, to approve business development projects falling within the appropriate financial limits contained in the Authorisation Policy;
  - To review, report and make recommendations to the Board on specific human resource policies (after consultation with Management where appropriate) in respect of:-
    - the identification of key personnel with high potential;
    - plans for succession planning and training;
    - candidates for the position of Managing Director of the Company and any other company within the Group and Senior Management personnel for the Group.
  - To approve or to make recommendations (depending on the Authorisation Policy) on introduction of new products, which are complementary to the existing business, and the introduction of new brand names and packaging designs;
  - To make recommendations on the formulation and implementation of a long term strategic vision, a 3-year business plan and an operational plan for the Group;
  - To review and recommend changes in the overall organisational structure of the Group; and
  - To approve the establishment of bank accounts and to approve or recommend (depending on the Authorisation Policy) the acceptance of credit facilities or the creation of any encumbrance over the assets of the Group.

During the financial year ended 30 June 2009, four (4) EXCO meetings were held and all members of the EXCO attended the said meetings.

#### 4. SHAREHOLDERS' COMMUNICATION AND INVESTOR RELATIONS

The Group recognises the importance of being accountable to its investors and as such has maintained an active and constructive communication policy that enables the Board and Management to communicate effectively with its investors, stakeholders and the public generally.

##### Communications with Stakeholders

The Company communicates with its shareholders and stakeholders through the timely release of financial results on a quarterly basis, press releases and announcements to Bursa Securities which provide shareholders with an overview of the Group's performance and operations.

In addition, the Managing Director and Finance Director hold post-results press conferences and discussions with analysts and shareholders. Presentations are made or roadshows undertaken, as appropriate, to explain the Group's strategy, performance and major developments of the Group's business activities. However, information which may be regarded as undisclosed material information about the Group will not be provided to any single shareholder or shareholder group.

##### Annual General Meeting

The Board regards the Annual General Meeting as an opportunity to communicate directly with shareholders. At each Annual General Meeting, the Board presents a comprehensive report on the progress and performance of the Group's business. Shareholders are given opportunity to participate in the question and answer session on the proposed resolutions and the Group's operations. Executive Directors and, where appropriate, the Chairman of the Board, are available to respond to shareholders' queries during the meeting. Where appropriate, the Chairman will undertake to provide a written response to any significant question that cannot be readily answered on the spot.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. The outcome of the Annual General Meeting is announced to Bursa Securities on the same meeting day.

A press conference is normally held after the Annual General Meeting where the Chairman and the Managing Director answer questions from the media on the Group's plans and activities.

The Company's corporate website, [www.gab.com.my](http://www.gab.com.my), is another communication channel which allows investors to access corporate information of the Group on a timely manner.

#### 5. ACCOUNTABILITY AND AUDIT

##### Audit Committee

The Audit Committee of the Board comprises six (6) Non-Executive Directors, four (4) of whom are Independent Non-Executive Directors. One of the Audit Committee members is a qualified accountant as prescribed by the Malaysian Institute of Accountants. The composition and the primary responsibilities of the Audit Committee are set out in the Report of the Audit Committee on pages 83 to 87 of the Annual Report.

The Audit Committee met five (5) times during the financial year ended 30 June 2009. The Chairman of the Audit Committee meets independently, at least twice a year, with the external auditors. The activities carried out by the Audit Committee during this period are set out in the said Report of the Audit Committee.

## CORPORATE GOVERNANCE

### Financial Reporting

In presenting the quarterly and annual financial statements to shareholders and investors, the Board aims to present a clear, balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive reports and reports to regulators. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 129 of the Financial Statements section of the Annual Report.

### Internal Control

The Board acknowledges its responsibilities for the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. The system can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group's internal audit provides independent and objective reports on the Group's management, records, accounting policies and controls to the Audit Committee. The internal audits include evaluation of the processes by which risks are identified, assessed and managed and ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Group's internal audit also ensures that recommendations to improve controls are followed through by Management.

### Relationship with External Auditors

The Board through the Audit Committee has established a transparent and professional relationship with the Group's external auditors.

The role of the Audit Committee in relation to the external auditors is stated on pages 83 to 87 of the Annual Report.

## 6. RELATED PARTY TRANSACTIONS

The Group has in place a Related Party Policy and established the appropriate procedures to ensure that the Company complies with the Listing Requirements relating to related party transactions. All related party transactions are reviewed by the sub-committee appointed by the Audit Committee and the same will be reported to the Audit Committee and Board on a quarterly basis.

Where any Director who has an interest (direct or indirect) in any related party transaction, such Director shall abstain from deliberation and voting on the resolution of such transaction at the Audit Committee and Board Meetings.

The shareholders' mandate in respect of recurrent related party transactions is obtained at the annual general meeting of the Company on a yearly basis. Details of the recurrent related party transactions entered into by the Group during the financial year ended 30 June 2009 are set out under Note 23 to the Audited Financial Statements on pages 127 and 128 of this Annual Report.

## 7. STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

As required by the Companies Act, 1965, the Directors are responsible for ensuring that the financial statements of the Group are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia, provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Securities, and give a true and fair view of the state of affairs of the Group at the end of the financial year.

The Directors are satisfied that in preparing the financial statements for the financial year ended 30 June 2009, the Group has adopted and applied consistently appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and the financial statements have been prepared on a going concern basis.

This Statement on Corporate Governance has been approved by the Board of Directors on 17 September 2009.