

# Statement on Corporate Governance

The Board of Directors (the Board) of Guinness Anchor Berhad (GAB or the Company) 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 Company adheres to the principles of good corporate governance which has helped in contributing towards the achievement of the Group's strategic goals and values in business. This has led the Group to achieve long term sustainable financial performance and growth.

The principles adopted by the Company are in accordance with the principles and practices stipulated in the Malaysian Code on Corporate Governance (Revised 2007) (the Code) and the Malaysian International Chamber of Commerce and Industry's (MICCI) Ethics Charter (the Ethics Charter). The Code sets out the principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework and the Ethics Charter is a standard guide that calls for MICCI member companies to pursue their corporate and business interests with VIGOUR, which represents the business values of Value Creation, Integrity, Governance, Obligation, Understanding and Responsibility.

The Company's commitment and efforts in sustaining high standards of corporate governance is proven by the following accolades received by the Company:

- (i) Malaysian Corporate Governance Index 2010 Awards received from the Minority Shareholder Watchdog Group:
  - Distinction Award for scoring A+ in the overall Malaysian CG Scores
  - Most Improved Company Award for significant improvement in CG Scores ranking from 94th in 2009 to 9th in 2010
- (ii) The StarBiz-ICR Malaysia Corporate Responsibility Awards 2010
  - Shortlisted as Top 25 for companies above RM1 billion market capitalisation and won in the Community category
- (iii) KPMG / The Edge Shareholder Value Awards 2010
  - One of the Top 10 public listed companies with the highest economic profit over invested capital
- (iv) The Edge Billion Ringgit Club Corporate Award 2010
  - One of the Top 5 most profitable companies with highest return on equity in consumer products sector
  - One of the Top 10 CSR companies
- (v) The Malaysian Business Ethics Excellence Award presented by the Ministry of Domestic Trade & Consumer Affairs in 2008

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 2011.

## 1. BOARD OF DIRECTORS

### The Board

The Group is led by an effective Board which comprises members of high calibre from a diverse blend of professional backgrounds with extensive business and financial experience, skills and expertise, 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 presented on pages 58 to 63 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 provides an effective oversight of the conduct of the Group's businesses, ensuring an appropriate control system is in place as well as regularly reviewing such system to ensure its adequacy and integrity.

The principal responsibilities of the Board include the following:

- Reviewing and adopting a strategic plan for the Company
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks
- Succession planning, including appointing, training, fixing of compensation and where appropriate, replacing Senior Management
- Developing and implementing an investor relations programme or shareholder communications policy for the Company
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines

In discharging the above responsibilities and duties, the Board is assisted by the Management Team which consists of Senior Management holding the following positions:

- Managing Director
- Finance Director
- Marketing Director
- Sales Director
- Supply Chain Director
- Corporate Relations and Legal Director
- Human Resources Director

A brief profile of the Management Team members is presented on pages 64 to 67 of this Annual Report.

The responsibilities and authorities of the Management Team are clearly defined in the Group's Standard Policies and Procedures Manual. The Management Team is charged with the responsibility of reviewing key operational decisions, implementing the policies and decisions of the Board as well as developing and implementing business and corporate strategies.

#### **Board Balance**

The Board currently comprises nine (9) members, of whom four (4) (including the Chairman) are Independent Non-Executive Directors, four (4) are Non-Independent Non-Executive Directors, and one (1) is an Executive Director. The proportion of Independent Non-Executive Directors complies with the requirements prescribed by the Listing Requirements.

The four (4) Independent Non-Executive Directors fulfill the criteria of independence as defined in the Bursa Securities Main Market Listing Requirements. They do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or other relationship which could materially compromise their independent judgement.

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 in the Board, such that no one individual has unfettered powers of decision-making.

The Chairman of the Board is primarily responsible for ensuring the effective functioning of the Board and ensuring all directors are enacted and encouraged to play their full part in the Group's activities. The Chairman has never held any executive position in the Group.

The Managing Director is responsible for the day-to-day management of the Group's business and operations including the implementation of business plans and strategies approved by the Board and communicating matters to the Board.

The current size of the Board is appropriate and commensurate with the complexity, scope and operations of the Group. It has a balanced composition with adequate Board independence that reflects the interest of minority shareholders and provides an effective check and balance in the functioning of the Board. Although all Directors have an equal responsibility for the Group's operations, the Independent Non-Executive Directors play an important role in bringing impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner. 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.

## Statement on Corporate Governance

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 by shareholders and other stakeholders.

### Directors' Code of Ethics

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 annual meetings schedule which sets out the dates for meetings of the Board, Board Committees and shareholders, as well as the closed period for dealings in securities by Directors based on the targeted date of announcement of quarterly results of the Group, is prepared and circulated to Directors before the beginning of each year to facilitate the Directors to plan ahead.

The Board meets on a quarterly basis and additional meetings are convened as and when necessary, to consider urgent proposals or matters that require the Board's consideration. The Board met four (4) times during the financial year ended 30 June 2011 and attendance of Directors at Board meetings, was as follows:

Name	Attendance
Tan Sri Saw Huat Lye Chairman, Senior Independent Non-Executive Director	4 / 4
Charles Henry Ireland Managing Director	4 / 4
Dr Leslie Buckley Non-Independent Non-Executive Director	4 / 4
Sreesanthan Eliathamby Independent Non-Executive Director	4 / 4
Martin Giles Manen Independent Non-Executive Director	4 / 4
Siobhan Mary Hamilton Non-Independent Non-Executive Director	4 / 4
Dato' Syed Salleh bin Syed Othman Independent Non-Executive Director (Appointed on 1 February 2011)	1 / 1
Dato' Jaffar Indot Independent Non-Executive Director (Retired on 4 November 2010)	2 / 2
Low Teng Lum Finance Director (Retired on 30 April 2011)	3 / 3

Note: Mr Edward McShane and Mr Edmond Neo Kim Soon were appointed to the Board on 25 July 2011

At the quarterly Board meetings, the Board reviews Management reports on the business and financial performance of the Group and discusses major operational and financial issues. The key matters reserved specifically for the Board's decision include 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. The Board also reviews issues deliberated and recommendations made by the Board Committees and such other relevant matters significantly affecting the Group's operations.

The Directors are provided with a structured agenda together with comprehensive Management reports and proposal papers at least 7 days before the Board meeting. This is to accord sufficient time for the Directors to peruse the meeting papers and enable them to effectively discharge their duties and responsibilities. Management reports presented to the Board include the following information:

- Business and financial performance of the Group
- Productivity and product quality measures
- Marketing and sales activities
- Market share and market trends
- Developments on human resource
- Environmental and industry issues
- Legal and regulatory updates

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. Directors are encouraged to share their views and insight in the course of deliberation and partake in discussions. Any Director / Board Committee member who has a direct or deemed interest in the subject matter to be deliberated shall declare their interest and abstain from deliberation and decisions on the subject matter during the meeting.

All issues discussed and all decisions made during the Board Meeting will be properly recorded by the Company Secretary. Minutes of Board Meetings are circulated to all Directors for their perusal prior to it being tabled for confirmation at the following Board Meeting. Upon receiving confirmation from all the Board members, the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings of the meeting. Decisions made and policies approved by the Board at Board Meetings will be communicated to the Senior Management for action after the meeting.

The Board is regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group. All members of the Board have unrestricted and constant access to and interaction with the Senior Management on issues under their respective purview. All Directors have access to the advice and services of the Company Secretary to enable them to discharge their duties effectively.

The Board, whether as a full Board or in their individual capacity, may seek independent professional advice on specific issues at the Company's expense, where necessary, to enable them to discharge their duties.

#### **Directors' Training**

Any Director appointed to the Board is required to complete the Mandatory Accreditation Programme (MAP) within 4 months from the date of appointment. All Directors have completed the MAP except for Mr Edward McShane and Mr Edmond Neo Kim Soon, the two newly appointed Directors who joined the Board on 25 July 2011. They will complete the MAP within the required timeline.

Induction programme is arranged for newly appointed 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.

On a yearly basis, an in-house training programme will be arranged by the Company Secretary for the Directors. The Directors may also request to attend additional training courses according to their needs from time to time to keep abreast with relevant changes in laws and regulations, and the business environment.

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The in-house training programme which covered the following topics, was held on 16 June 2011 and attended by the Directors of the Company:

- Global Grocery Retail Trends and Implications for Food and Beverage Retail Account Management
- Commodity Trends and Impact
- Malaysia's New Economic Policy (Economic Transformation Programme / 10th Malaysia Plan)

The in-house training programme was conducted by consultants and professionals with the relevant experience and expertise.

Some of the Directors have also attended individually the various training programmes and conferences organised by the relevant regulatory authorities and professional bodies during the financial year ended 30 June 2011, amongst others, the following:

- "Design features of value-added tax: putting concepts into legislation" organised by IFA Malaysia
- International Indirect Tax Forum organised by International Tax & Investment Centre
- Roundtable discussion on "Sales and Service Tax" organised by KPMG
- FIDE Pilot Simulation of Board and Committee meetings organised by Bank Negara Malaysia and PIDM

- Presentation on "Semiconductor Industry outlook" by Jim Walker of Gartner
- Directors' Continuing Education Programme "Aviation and the Governing Body" organised by Transmile Group Berhad
- ICLIF Leadership Programme "Too Many Bosses, Too Few Leaders"
- "Recent Tax Developments" organised by International Fiscal Association, Malaysia Branch
- Business Sustainability Programme organised by Bursa Malaysia
- "Risk and Control Environment" organised by Bursa Malaysia
- 2011 In-House Congress organised by In-House Community/Pacific Business Press
- CEO Debate organised by MICCI
- Discharging the Audit Committee & Internal Audit Function in compliance with Risk Management Best Practices organised by Bursatra Sdn Bhd
- Directors' Training "Avoiding Minefields Amidst A Changing Anti-Corruption Landscape" organised by Sime Darby Berhad

The Board will on a continuous basis, evaluate and determine the training needs of the Directors to assist them in the discharge of their duties as Directors.

### 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 Nomination Committee was established by the Board on 28 May 2001. It has been entrusted with responsibility to recommend suitable candidates for appointment to the Board and Board Committees.

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)
- Dr Leslie Buckley (Non-Independent Non-Executive Director)

- Sreesanthan Eliathamby  
(Independent Non-Executive Director)
- Siobhan Mary Hamilton  
(Non-Independent Non-Executive Director)
- Martin Giles Manen  
(Independent Non-Executive Director)  
(Appointed on 4 November 2010)

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 programme for Board members to upgrade their skills in enhancing their effective contribution.

The Nomination Committee conducts the Board Effectiveness Evaluation via questionnaires, which comprise Board and Board Committees effectiveness assessment and Directors self and peer assessment on a yearly basis. The Nomination Committee assessed the effectiveness in terms of composition, conduct, accountability and responsibility of the Board and Board Committees in accordance with the terms of reference. The Directors self and peer assessment was conducted to evaluate the mix of skills, experience and the individual Director's ability to exercise independent judgement and their contribution to the effective functioning of the Board.

The Nomination Committee, pursuant to its recent annual evaluation, 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 calibre credibility with necessary skills and qualifications which will enable the Board discharge its responsibility effectively. Through the Directors self and peer assessment, the Non-Executive Directors have indicated their satisfaction with the level of independence of each of their peers and their ability to act in the best interest of the Company in decision-making.

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Meetings of the Nomination Committee are held at least once a year and as and when required. During the financial year ended 30 June 2011, one (1) meeting was held and the details of attendance of the members of the Nomination Committee are as follows:

Name	Attendance
Tan Sri Saw Huat Lye (Chairman)	1 / 1
Dr Leslie Buckley	1 / 1
Sreesanthan Eliathamby	1 / 1
Siobhan Mary Hamilton	1 / 1
Martin Giles Manen (Appointed on 4 November 2010)	No meeting was held from the date of his appointment to 30 June 2011
Dato' Jaffar Indot (Retired on 4 November 2010)	1 / 1

### Re-election of Directors

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 (AGM). 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.

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 AGM 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 AGM and all Directors, including the Managing Director, shall retire from office at least once every three years but shall be eligible for re-election. A Director seeking re-election or re-appointment shall abstain from all deliberations regarding his/her re-election or re-appointment to the Board. In August 2010, the Nomination Committee recommended to the Board for the re-appointment of Mr Sreesanthan Eliathamby and Mr Low Teng Lum who were subsequently re-elected as Directors at the AGM on 4 November 2010.

Pursuant to Section 129 of the Companies Act, 1965, Directors who are of the age of 70 and above shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM. At the 46th AGM on 4 November 2010, Tan Sri Saw Huat Lye was re-appointed pursuant to this provision.

At the forthcoming 47th AGM scheduled for 3 November 2011, Tan Sri Saw Huat Lye will retire pursuant to Section 129 of the Companies Act, 1965. Tan Sri Saw Huat Lye has offered himself for re-appointment as a Director of the Company.

## 2. DIRECTORS' REMUNERATION

### Remuneration Committee

The Remuneration Committee comprises entirely of Non-Executive Directors, namely:

- Tan Sri Saw Huat Lye (Chairman, Senior Independent Non-Executive Director)
- Dr Leslie Buckley (Non-Independent Non-Executive Director)
- Siobhan Mary Hamilton (Non-Independent Non-Executive Director)
- Sreesanthan Eliathamby (Independent Non-Executive Director) (Appointed on 4 August 2010)

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 based on their KPIs results. Remuneration of Non-Executive Directors is decided by the Board as a whole. A Director whose remuneration package is being considered shall abstain from deliberating and voting on his/her own remuneration at the Board and Remuneration Committee meetings.

The Remuneration Committee is also entrusted with responsibility to review and formulate the succession plans and policies for the Group.

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 2011, one (1) meeting was held and the details of attendance of the members of the Remuneration Committee are as follows:

Name	Attendance
Tan Sri Saw Huat Lye (Chairman)	1/1
Dr Leslie Buckley	1/1
Siobhan Mary Hamilton	1/1
Sreesanthan Eliathamby (Appointed on 4 August 2010)	No meeting was held from the date of his appointment to 30 June 2011
Dato' Jaffar Indot (Retired on 4 November 2010)	1/1
Charles Henry Ireland (Resigned on 4 August 2010)	1/1

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Amongst the items deliberated by the Remuneration Committee at its meeting held in August 2010 were:

- Performance bonus for the Senior Management and Management staff of the Group for the financial year ended 30 June 2010
- Performance and rewards for the former Finance Director for the financial year ended 30 June 2010 and his Remuneration Package for the financial year ended 30 June 2011
- Remuneration package of the Managing Director for the financial year ended 30 June 2011
- Salary increment, bonus KPIs and structure for Management staff for the financial year ended 30 June 2011
- Revision of car entitlement for Senior Management
- Reconstitution of the Remuneration Committee to comprise only of Non-Executive Directors

### 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 current remuneration policy for the 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

The fees and allowances payable to the Non-Executive Directors are determined by the Board as authorised by the shareholders of the Company. The current remuneration policy for the Non-Executive Directors (as approved by the shareholders on 26 November 2009) comprises the following:

Directors' fee for each Non-Executive Director	RM45,000 per annum
Meeting attendance allowance	RM1,000 for each Board and Board Committee meeting attended
Allowance for the Chairman of the Board and Executive Committee	RM80,000 per annum
Allowance for the Chairman of the Audit Committee	RM5,000 per annum
Allowance for the Chairman of other Board Committees	RM2,000 per annum

**(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 Group'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**

Certain customary benefits (such as motor vehicles, mobile phones and club memberships) are made available to the Chairman of the Board and the Executive Directors of the Company 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 year ended 30 June 2011 are as follows:

Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Fees & Chairman allowance	-	348
Meeting attendance allowance	-	78
Benefits in kind*	492	31
Salary & Other emoluments**	2,073	-
<b>Total</b>	<b>2,565</b>	<b>457</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.

The number of Directors of the Company (including past Directors) whose total remuneration including benefits-in-kind for the financial year ended 30 June 2011 which fall within the required disclosure bands are as follows:

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
1 – 50,000	-	2
50,001 – 100,000	-	4
100,001 – 150,000	-	1
150,001 – 1,000,000	1	-
1,000,001 – 1,650,000	1	-

## Statement on Corporate Governance

### 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)
- Dr Leslie Buckley (Non-Independent Non-Executive Director)
- Siobhan Mary Hamilton (Non-Independent Non-Executive Director)

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

- (i) 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
  - proposals for the acquisition or disposal of businesses, mergers, restructuring, joint ventures or other corporate transactions
- (ii) To raise and resolve in a timely manner normal operational business issues affecting the Group which cannot be resolved by Management;
- (iii) 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;
- (iv) 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
- (v) 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;
- (vi) 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;
- (vii) To review and recommend changes in the overall organisational structure of the Group; and
- (viii) 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 2011, six (6) EXCO meetings were held and all the members 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. The Group firmly believes that prompt and timely information should be provided to shareholders and investors to enable them to make informed investment decisions.

### **Communications with Stakeholders**

The Company communicates with its shareholders and stakeholders through the timely release of financial results on a quarterly basis, annual report, press releases and announcements to Bursa Securities. Financial results and press releases are also placed on the corporate website to keep shareholders and investors informed on the Group's performance and operations.

In addition, the Managing Director and Finance Director hold post-announcement of results press conferences and discussions with investment analysts and shareholders. In addition, management personnel responsible for investor relations activities meet regularly with equity research analysts, fund managers, institutional shareholders and investors on a one-on-one basis. Presentations are made to provide comprehensive insight into the Group's business 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 AGM as a principal platform for open communication between the shareholders, Directors and Senior Management of the Company. At each AGM, a comprehensive review of the progress and performance of the Group's business together with an overview of the Group's activities will be presented to shareholders. Shareholders are given opportunity to participate in the question and answer session on the proposed resolutions and the Group's operations. Executive Directors and 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. At the 46th AGM of the Company held on 4 November 2010, in addition to the above, the Company also shared its response to the questions submitted in advance by the Minority Shareholder Watchdog Group.

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 AGM is announced to Bursa Securities on the same meeting day.

A press conference is normally held after the AGM where the Chairman, Managing Director and Finance Director provide updates to the media and answer questions from the media on the Group's plans and activities.

### **Company Website**

The Company's corporate website, [www.gab.com.my](http://www.gab.com.my), is another communication channel for investors to access information including corporate information, annual reports, latest press releases, latest financial results, share prices, announcements and disclosures made to Bursa Securities, AGM webcast and corporate social responsibilities activities of the Group.

The Company also provides an online helpdesk which allows investors to inquire about investor relations matters, provide feedback and post queries or concerns regarding the Group through the corporate website. The Company will review each electronic mail received and respond accordingly to its shareholders and stakeholders in a timely manner. Any information that may be regarded as sensitive information about the Group will not be disclosed.

## Statement on Corporate Governance

### 5. ACCOUNTABILITY AND AUDIT

#### Audit Committee

The Audit Committee assists the Board by providing an objective review of the effectiveness and efficiency of the Group's internal control, risk management and governance framework. It comprises six (6) Non-Executive Directors, four (4) of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee 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 82 to 87 of this Annual Report.

The Audit Committee met five (5) times during the financial year ended 30 June 2011. 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.

#### Financial Reporting

In presenting the quarterly and annual financial statements to shareholders and investors, the Board is committed to providing a clear, balanced and understandable assessment of the Group's financial position and prospects.

The Board, assisted by the Audit Committee, oversees the financial reporting of the Group. The Audit Committee reviews the Group's annual and interim financial statements and the appropriateness of the Group's accounting policies and the changes to these policies to ensure that these financial statements comply with accounting standards and regulatory requirements.

The Chairman's message and the reviews from the Managing Director and the Finance Director in this Annual Report provide additional analysis and commentary on the state of the Group's business. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 141 of the Financial Statements section of this 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.

The Statement of Internal Control, which provides an overview of the state of internal controls within the Group, is presented on pages 88 to 91 of this Annual Report.

#### Relationship with External Auditors

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

The Audit Committee meets with the external auditors at least twice a year to discuss their audit plan and audit findings in relation to the Group's financial statements. Prior to some Audit Committee Meetings, private sessions between the Audit Committee and the external auditors were held without the presence of the Executive Directors, Management and the Head of Internal Audit to discuss the audit findings and any other

observations they may have during the audit process. In addition, the external auditors are invited to attend the AGM of the Company and are available to answer shareholders' queries on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee is responsible for approving audit and non-audit services provided by the external auditors. In approving such services, the Audit Committee ensures that the independence and objectivity of the external auditors are not compromised.

Further information on the role of the Audit Committee in relation to the external auditors is stated on pages 82 to 87 of this 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 meets its obligations under 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 AGM of the Company on a yearly basis. The recurrent related party transactions entered into by the Group with its related parties during the financial year ended 30 June 2011 were for the purchase of manufacturing and marketing materials, payment of engineering, technical, marketing and advertising services fees, payment of royalties for licence to brew our products and the sale and purchase of beverages products.

Details of these transactions are set out under Note 24 to the Audited Financial Statements on pages 137 and 138 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 2011, 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 adopted and the financial statements have been prepared on a going concern basis.

## **8. COMPLIANCE STATEMENT**

The Board is satisfied that the Company has complied with the best practices of the Code throughout the financial year ended 30 June 2011 save for the disclosure of details of the remuneration of each Director. The Company disclosed the Directors' remuneration by applicable bands of RM50,000 on page 77 consistent with the disclosure requirements under the Listing Requirements.

This Statement on Corporate Governance has been approved by the Board of Directors on 4 August 2011.