

# Statement On Corporate Governance

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The Board is committed to ensuring that the Company observes the principles of corporate governance as recommended in Part 1 of the Malaysian Code of Corporate Governance. The Board has therefore taken steps to adopt the best practices as recommended in Part 2 of the Malaysian Code of Corporate Governance.

The Board has considered the manner in which it has applied the Principles of the Code and to the best of its ability complied with the Best Practices of the Code. It also enhances shareholders' participation and value and safeguards the interest of other stakeholders.

## The Board of Directors

The Board is responsible for the overall strategic direction of the Company and retains full and effective control of the responsibility for the Company's activities. In fulfilling its fiduciary duties, the Board ensures that there are appropriate systems and procedures in place to manage the Company's significant risks. In addition, the Board also had in place a capable and experienced management team to oversee the day-to-day operations of the Company.

## Composition of the Board

The Board currently comprises seven (7) Executive Directors, one (1) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors, which is in excess of one-third requirement for independent Directors in the Board. Thereby the Board is of the view that the current composition of the Board facilitates effective decision making and independent judgement where no individual shall dominate the Board's decision making.

The Board is of the opinion that the composition of the Board fairly reflects the investment in the Company by shareholders other than the significant shareholder including the minority shareholders. The profiles of the members of the Board are set out in pages 4 to 7.

The Board comprises highly reputable and professional persons which represents a diverse background of knowledge, expertise and experience. With their combined experience and knowledge they provide sound advice and judgements for the benefit of the Company and its shareholders. The Board has identified Dr. Goh Chin Siew as a Senior Independent Non-Executive Director, to whom concerns may be conveyed.

The roles and responsibilities of the Chairman, who is an Independent Non-Executive Director, and the Chief Executive Officer / Managing Director, are distinct, separate and clearly defined. The Chairman is responsible for ensuring the Board's effectiveness and orderly conduct. The Chief Executive Officer / Managing Director has overall responsibility for the management and operation of the Company's business and the implementation of Board policies, strategies and decisions.

Responsibility is vested in the Non-Executive Directors of the Company to ensure that the policies and strategies proposed by the Management are fully discussed and critically examined, not only against the best long-term interests of shareholders, but also to ensure that they take proper account of the interests of employees, customers, suppliers and the many communities within which it is represented. The presence of the Independent Non-Executive Directors are essential to provide the unbiased and independent view, advice and judgement as well as to safeguard the interest of other parties such as minority interest and the community.

All the Directors of the Company have attended the Mandatory Accreditation Programme ("MAP") organised by the Research Institute of Investment Analysts Malaysia ("RIIAM"), an affiliate of the Bursa Malaysia Securities Berhad. The Directors will continue to undergo the Continuous Education Programme ("CEP") and other relevant training programmes to further enhance their knowledge in the latest statutory and regulatory developments to enable them to discharge their responsibilities more effectively.

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## Board Responsibilities

In line with the practice of good corporate governance, the Board has established and implemented various processes to assist members of the Board in the discharge of their duties and responsibilities. The Board's duties and responsibilities include the following:-

1. Periodic review and adopt the Company's business policies and strategies;
2. Management and staff succession planning;
3. Review of the adequacy and the integrity of the Company's internal controls and management information systems;
4. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
5. Maintaining an effective investor and shareholders communication policy;
6. Ensuring that the Company complies with applicable laws, regulations, rules, directives and guidelines of relevant authorities; and
7. 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.

Directors have also participated in factory visits as well as food tasting sessions on the Company's new products which underpins the Board's knowledge of the Company's production processes and product range.

## Board Meetings

The Board meets at least four (4) times and, as and when required, during the financial year to, amongst others, review and approve the quarterly financial statements and the annual audited financial statements.

The number of Board meetings held during the financial year ended 31 March, 2004 and each directors' attendance at the meetings were as follows:-

Directors	No. of Meetings Attended by the Directors in respect of the Financial Year Ended 31 March 2004*	Attendance (%)
<b>Executive Directors</b>		
Mr. Takashi Imai (Managing Director)	5/5	100
Tn. Hj. Mazlan Bin Ab. Rahman	5/5	100
Mr. Gew Ah Lek	5/5	100
Mr. Osamu Sekiguchi	5/5	100
Mr. Tetsuhiko Yoshikawa	4/5	80
Mr. Takuji Umeda	5/5	100
<b>Non-Executive Directors</b>		
Gen (R) Tan Sri (Dr) Dato' Paduka Mohamed Hashim		
Bin Mohd. Ali (Chairman)	5/5	100
Mr. Katsuyuki Inoue	4/5	80
(Alternate Director - Mr. Taisuke Oka)		
Encik Adinan Bin Husin	5/5	100
Dato' Professor (Dr) Teo Chiang Liang	5/5	100
Dr. Goh Chin Siew	5/5	100
Dato' Hj. Shaharuddin Bin Hj. Haron	3/5	60

In advance of and during each Board meeting, members are each provided with relevant documents and information in a form and quality appropriate to enable them to discharge their duties.

Notes

- \* There were five (5) Board meetings held during the financial year ended 31 March 2004. The meetings were held on 28 May 2003, 15 July 2003, 28 August 2003, 18 November 2003 and 17 February 2004.

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## Supply of Information

The agenda for the Board meetings, together with appropriate reports and information on the Company's business operations, and proposal papers for the Board's consideration are circulated to all the Directors prior to the meetings in sufficient time. During the meeting, the management provided information and clarification on issues raised prior to every Board meeting. Wherever necessary, consultants and experts were invited to brief the Board on their areas of expertise or their report.

The Board sets yearly objectives, which are guided by the parent company's corporate objectives and the management is delegated with the responsibility of meeting the objectives.

In order to execute the responsibilities more effectively, the Directors have access to all information within the Company whether as a full board or in their individual capacity. Directors also have direct access to the advice and service of the Company Secretary and may seek independent professional advice as and when necessary in discharging their responsibilities. Wherever necessary, consultants and experts were invited to brief the Board on their areas of expertise or their report.

## Appointments to the Board

In order to comply with good practice for the appointment of new directors through a formal and transparent procedure, the Board has set up a Nomination Committee to evaluate and recommend candidates for directorships to the Board.

## Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to retirement at the first Annual General Meeting of the Company subsequent to their appointment. One third of all the other Directors shall retire by rotation at each Annual General Meeting provided always that all Directors shall retire from office at least once in every three (3) years. The Directors retiring from office shall be eligible for re-election by the shareholders.

## Committees

### (1) Nomination Committee

The Nomination Committee was established with clearly defined terms of reference, comprising two (2) Executive Directors and five (5) Non-Executive Directors. The majority of the members are Independent Directors. The Nomination Committee comprised the following members :-

• Adinan Bin Husin	(Chairman, Non-Independent Non-Executive Director)
• Gen (R) Tan Sri (Dr) Dato' Paduka Mohamed Hashim Bin Mohd. Ali	(Independent Non-Executive Director)
• Dato' Professor (Dr) Teo Chiang Liang	(Independent Non-Executive Director)
• Dr. Goh Chin Siew	(Independent Non-Executive Director)
• Dato' Hj. Shahrudin Bin Hj. Haron	(Independent Non-Executive Director)
• Takashi Imai	(Executive Director)
• Keizo Kawamoto	(Executive Director)

The main responsibilities of this Committee are to propose and recommend new candidates to the Board of Directors, if necessary and to review the structure, size and composition of the Board of Directors.

### (2) Remuneration Committee

The Remuneration Committee was set up with clearly defined terms of reference comprising two (2) Executive Directors, and five (5) Non-Executive Directors. The majority of the members are Independent Directors. The Remuneration Committee comprised the following members :-

• Gen (R) Tan Sri (Dr) Dato' Paduka Mohamed Hashim Bin Mohd. Ali	(Chairman, Independent Non-Executive Director)
• Adinan Bin Husin	(Non-Independent Non-Executive Director)
• Dato' Professor (Dr) Teo Chiang Liang	(Independent Non-Executive Director)
• Dr. Goh Chin Siew	(Independent Non-Executive Director)
• Dato' Hj. Shahrudin Bin Hj. Haron	(Independent Non-Executive Director)
• Takashi Imai	(Executive Director)
• Keizo Kawamoto	(Executive Director)

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The Remuneration Committee is responsible for recommending to the Board the remuneration and compensation of the Executive Directors. The individuals concerned would abstain from discussion of their own remuneration.

The determination of the remuneration of the Executive Directors are based on the level of responsibilities, experience, contribution, individual performance and corporate performance in accordance with Ajinomoto's Group Remuneration Policy and the Holding Company's recommendations.

The aggregate remuneration of the Directors for the financial year under review are as follows:-

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries and other emoluments	2,262	-
Fees	150	175
Bonus	167	-
Gratuity	60	70
Benefits-in-kind	75	-

The number of Directors of the Company whose total remuneration during the financial year under review that fall within the following bands are as follows:-

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	5
RM50,001 - RM100,000	-	1
RM100,001 - RM250,000	-	-
RM250,001 - RM300,000	2	-
RM300,001 - RM450,000	-	-
RM450,001 - RM500,000	2	-
RM500,001 - RM550,000	-	-
RM550,001 - RM600,000	2	-

The only area of non-compliance with the Malaysia Code of Corporate Governance is the disclosure of details of the remuneration of each Director. At this juncture, the Board believes that this information will not add significantly to the understanding and evaluation of the Company's governance.

## (3) The Audit Committee

The composition, responsibilities, terms of reference and activities during the financial year of the Audit Committee are set out under the Audit Committee Report on pages 16 to 17.

## Accountability & Audit

### Financial Reporting

The Board is responsible for ensuring that the quarterly and annual audited financial statements of the Company present a fair and balance view and assessment of the Company's financial position, performance and prospects.

The Company's financial statements are prepared in accordance with the requirements of the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. The Board is responsible to ensure that the financial statements of the Company present a balanced and fair assessment of the state of affairs of the Company. The Audit Committee assists the Board in reviewing and scrutinising the information for disclosure to ensure accuracy, adequacy and completeness. The composition, summary of activities and terms of reference of the Audit Committee can be found in the Audit Committee Report on pages 16 to 17.

The Statement of Directors' Responsibility in respect of the Audited Financial Statements pursuant to paragraph 15.27 (a) of the Listing Requirements is set out on page 15 of this Annual Report.

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## **Internal Control**

The Board recognises the importance of maintaining a sound system of internal controls which cover risk management, financial, organizational, operational and compliance controls. The Board acknowledges its responsibility and accountability for the Company's system of internal controls and for reviewing the effectiveness, adequacy and integrity of this system. The Board has delegated the implementation and monitoring of the internal control system to the Management of the Company and has appointed independent consultants to carry out the Internal Audit and Risk Management functions.

Information on the Company's internal control is presented in the Statement on Internal Control on pages 14.

## **Relationship with Auditors**

The roles of the Audit Committee, the internal and external auditors of the Company are described in the Audit Committee Report set out on pages 16 to 17 of this Annual Report. The Board and the Audit Committee have always maintained a professional and transparent relationship with the Company's auditors.

## **External Audit**

The Company's independent external auditors fill an essential role by enhancing the reliability of the Company's financial statements and giving assurance to stakeholders of the reliability of these financial statements. The Company continues its professional relationship with the Company's Auditors, Messrs. Hanafiah Raslan & Mohamad through the Audit Committee.

The external auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of the management; and if necessary, to the Audit Committee and the Board.

## **Shareholders' Communication And Investor Relations**

### **Relationship with Shareholders**

The Board recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company. It ensures that timely releases of the quarterly financial results, circulars, press releases, corporate announcements and annual reports are made to its shareholders and investors.

### **Annual General Meeting (AGM)**

Shareholders' participation at the Company's AGM is always encouraged and welcomed. It is a useful opportunity for the Directors and management to communicate face to face with shareholders and to present the Company's business operations, performance and future plans.

Notice of the AGM, Annual Reports and circulars are sent out with sufficient notice before the date of the meeting to enable the shareholders to have the full information about the meeting to facilitate informed decision-making. The Statement Accompanying the Notice of the AGM and explanatory notes on the proposed resolutions under Special Business are given to help the shareholders vote on the resolutions.

Shareholders, investors and the general public can also obtain information on the Company by accessing the Company's website at [www.ajinomoto.com.my](http://www.ajinomoto.com.my). The shareholders and investors are also able to access the latest corporate, financial and market information of the Company via Bursa Malaysia Securities Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).