

## CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 9334  
**COMPANY NAME** : KESM Industries Berhad  
**FINANCIAL YEAR** : July 31, 2020

### OUTLINE:

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## CORPORATE GOVERNANCE REPORT

### SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

#### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

#### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors (the "Board") sets the strategies of the Company and its group of companies (collectively the "Group"), ensures that the Group is led and managed in an effective and responsible manner in accordance with standards of corporate governance practices promulgated by relevant laws, rules and regulations, policies, standards and guidelines applicable to the Group.</p> <p>In order to ensure the effective discharge of its duties and responsibilities, the Board is governed by a board charter ("Board Charter") and other internal guidelines that have been established by the Board, which clearly sets out the roles, powers and responsibilities of members of the Board, including matters reserved for the Board's consideration and approval, and those which the Board may delegate to relevant Board Committees, the Executive Directors and the Management. The Board Committees comprise the Audit Committee and the Nominating Committee, which terms of reference are also encapsulated in the Board Charter. An abridged version of the Board Charter is available on the Company's website at <a href="http://www.kesmi.com">www.kesmi.com</a>.</p> <p>Amongst the steps taken by the Board to satisfy its functions and responsibilities are:</p> <p>(1) reviewing, approving and adopting the overall strategic plan for the Group, after deliberating with the senior management to ensure that the strategic plan is aligned to market requirements and is customer-centric. The management, led by the Executive Directors, develops the operating plans, puts them into actions, monitors actual results against planned performance and implements corrective actions and ensures compliance with all relevant statutory and legal obligations, as well as ensuring that proper risk management and internal control systems are in place;</p>

## CORPORATE GOVERNANCE REPORT

	<p>(2) conducting periodical reviews of the Group’s strategies and business focus concurrently with the regular financial results reporting, performances and policies, and monitoring compliance with all relevant statutory and legal obligations to promote a good corporate governance culture which reinforces ethical, prudent and professional behaviour;</p> <p>(3) promoting sustainability strategies to support long term value creation which also takes into consideration economic, environmental and social considerations;</p> <p>(4) reviewing, with the assistance of the Audit Committee, the adequacy and integrity of the Group’s internal control and enterprise risk management, as well as the financial and non-financial reporting responsibilities;</p> <p>(5) overseeing the succession plans for the management, through the Executive Directors, by ensuring that the appointed management staff has the necessary skills and experience. The Nominating Committee assists the Board to oversee the selection of candidates for proposed Board appointments and the assessment of the performance of the Board, Board Committees as well as individual Directors. The Board through the Nominating Committee, comprise individuals with the appropriate mix of skills and experience, to ensure a proper balance between executive and independent directors; and</p> <p>(6) updating stakeholders with the performance and results of the Group through engagements, press interviews and timely public releases of the relevant information which are also available on KESMI’s website.</p>
<b>Explanation for departure</b>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure</b>	<p>:</p>
<b>Timeframe</b>	<p>:</p>

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board is led by its Executive Chairman (“Chairman”), who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. To this end, the Chairman takes on the role for creating an environment that enables open, robust and effective discourse between the Board members, as well as between the Board and management, and with the stakeholders of the Company. Additionally, with the help of the Company Secretary, the Chairman sets the board agendas for meetings, and ensures that the directors receive accurate, timely and clear information.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
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## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The roles of the Chairman and the Chief Executive Officer ("CEO") are held by the same individual, Mr Samuel Lim.</p> <p>The Board has taken the view that given the nature and size of the Group's businesses, it is advantageous to vest the roles of both the Chairman and the CEO on the same person, who, in the unique position as co-founder, is knowledgeable about the businesses of the Group to ensure its proper management and continual success in meeting the Company's objectives and goals. At the same time, in his capacity as Chairman, Mr Samuel Lim has been able to effectively guide discussions to ensure that the Board is properly briefed on pertinent issues and developments of the Group's businesses. The combined role, therefore, has the weight of corporate history and clear reporting lines on its side.</p> <p>To ensure that intended outcome of this Practice 1.3 is met, the Chairman/CEO always abstains from all deliberations and voting on matters, which he is director or deemed interested, and the Board ensures that all related party transactions involving the Chairman/CEO are appropriately dealt with in accordance with the provisions of the Main Market Listing Requirements ("MMLR"). Moreover, the Senior Independent Non-Executive Director, Tuan Haji Zakariah Bin Yet, is available to deal with concerns regarding the Company where it would be inappropriate for these to be dealt with by the Chairman/CEO.</p> <p>Additionally, the Board comprises sufficient independent directors who are capable of exercising independent judgements for the Board to enhance responsible, fair and objective deliberations at Board meetings and to ensure that the objectives and goals of the Company are met.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
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## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by a professionally qualified Company Secretary, Ms Leong Oi Wah, who is a Fellow Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and has more than 35 years of experience in handling corporate secretarial matters in the profession and the corporate sector. She is qualified to hold the position under Section 235 (2) of the Companies Act 2016.</p> <p>The Company Secretary's responsibilities include:</p> <ol style="list-style-type: none"> <li>(1) assisting the Chairman and the chairmen of the Board committees in developing agendas for the meetings;</li> <li>(2) administering, attending and preparing the minutes of meetings of the Board, Board Committees and the shareholders;</li> <li>(3) advising on statutory and regulatory requirements, monitoring the compliance thereof, and the resultant implication of any changes of statutory and regulatory requirements on the Company and the Directors;</li> <li>(4) advising on matters relating to corporate governance practices;</li> <li>(5) facilitating suitable training courses and arranging for Directors to attend such courses; and</li> <li>(6) ensuring good information flow between Board members, the Board and its Committees, as well as between management and the Directors.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
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## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman ensures that all Directors have full and unrestricted access to timely information which is necessary for them to reasonably discharge their duties responsibly.</p> <p>The agenda and meeting papers containing reports and information to facilitate active participation and informed decision making, are typically circulated to the Board and the Board Committees a week or so prior to the meetings. All directors are also able to call for additional clarification and information to assist them in their decision making.</p> <p>Minutes of meetings are circulated within a week or so before the next meeting, and are tabled for confirmation as correct record by the Board and Board Committees at the following meeting.</p>
<b>Explanation for departure</b>	:	
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<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies—

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Board Charter which sets out the Board structure and protocols, the Board's roles and responsibilities, including the roles of the individual directors and that of the senior independent director, the division of the responsibilities and powers between the Board, management and different committees, and also between the Chairman and CEO. The Board Charter also details the processes and procedures of Board meetings.</p> <p>The Board Charter was last reviewed in July 2018, and will be reviewed periodically, as and when the need arises to cater to the developments and requirements of the Group.</p> <p>The Board Charter is publicly available, in an abridged form, on the Company's website at <a href="http://www.kesmi.com">www.kesmi.com</a>.</p>
<b>Explanation for departure</b>	:	
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## CORPORATE GOVERNANCE REPORT

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established a Code of Conduct and Ethics ("the Code") that provides an overview of the various policies, procedures and guidelines that have been adopted by the Company to steer acceptable employment practices, ethical values and conduct for the behaviour of employees. The Company periodically reviews the Code and its adopted policies, standards and guidelines to ensure that the conduct and ethical values it promulgates are upheld in its highest regard in its day-to-day dealings, and are in compliance with all applicable laws, rules and regulations.</p> <p>The Code was last reviewed in March 2020 and is publicly available on the Company's website at <a href="http://www.kesmi.com">www.kesmi.com</a>.</p>
<b>Explanation for departure</b>	:	
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## CORPORATE GOVERNANCE REPORT

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has in place a whistle blower policy which outlines the procedures when, how and to whom employees and external parties may report and raise in good faith and in confidence, any concern about possible improprieties in matters of financial reporting or other matters.</p> <p>The policy was last reviewed in March 2020 and has been disseminated to employees through the usual communication channel of the companies within the Group.</p> <p>The policy is also publicly available on the Company's website at <a href="http://www.kesmi.com">www.kesmi.com</a>.</p>
<b>Explanation for departure</b>	:	
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## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board currently has 5 Directors, of whom 3 are non-executive. Of the non-executive directors, 2 are independent.</p> <p>Although the Board has not met the requirement of having directors with at least half of them being independent, the Company has proven that the performance of the Group has not been compromised by a lack of majority independent directors in the composition of the Board. In fact, the success of the Company has not been in doubt due to the professional and knowledgeable contributions of the Executive Chairman and Executive Director of the Company.</p>
		<p>Directors, regardless if they are independent or not, have the fiduciary duties to act in the best interests of the Company. This has always been the governing principle adhered to by all of the Directors of the Company. Moreover, the independent and diverse perspectives of Board members' decisions have effectively contributed to the success of the Group. Meetings of the Board and Board Committees have always been conducted in an open and participative manner. Dissenting views are allowed to be freely expressed and thorough deliberations made on agenda matters to ensure the quality of decision making. As additional safeguard, for matters in which Directors are interested, they have always abstained from the decision-making.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board does not consider length of tenure as a criterion affecting a director's independence as there are advantages to be gained from the long-serving directors who possess good insight and knowledge of the Group's businesses and affairs. In this connection, the Board will seek annual one-tier shareholders' approval for independent director whose tenure has exceeded nine years as well as twelve years cumulatively.</p> <p>Mr Yong Chee Hou has been an independent non-executive director of the Company since 11 January 2002. Whilst he has served on the Board for more than 18 years, the Board has, upon periodic appraisal of his independence, concluded that Mr Yong's independence on the Board has been maintained as his length of service on the Board has not affected his ability to exercise independent judgement while acting in the best interests of the Company.</p> <p>Subsequent to the financial year ended 31 July 2019, the Board had conducted an appraisal on the independence of Mr Yong and concluded that he has met the independence criteria set out in the MMLR and this Code, and he continues to maintain independent and objective views in rendering his services. The Board sought approval from shareholders at the 48<sup>th</sup> Annual General Meeting to retain Mr Yong as independent director through a one-tier voting and Mr Yong's retention was approved with a substantial majority of 94.43%.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### **Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### **Practice 4.3 - Step Up**

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

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

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Nominating Committee that is charged with, amongst others, sourcing, selecting and shortlisting suitable potential new board candidates, for the Board's consideration. The functions and duties of the Nominating Committee are detailed in its Terms of Reference that is available on the Company's website at <a href="http://www.kesmi.com">www.kesmi.com</a>.</p> <p>The key responsibilities of the Nominating Committee include:</p> <ul style="list-style-type: none"> <li>(a) reviewing the character, experience, integrity, commitment, competency, qualification and track record of the proposed candidate for appointment to the Board, and in the case of a proposed nomination of an independent non-executive director, to evaluate the nominee's ability to discharge such responsibilities/functions as expected of an independent non-executive director;</li> <li>(b) reviewing the structure, size and composition of the Board (including evaluating the mix and balance of skills, knowledge, experience and diversity), and making recommendations to the Board with regard to any changes deemed necessary; and</li> <li>(c) monitoring and evaluating the effectiveness of the Board and its committees, and developing appropriate procedures for individual evaluations.</li> </ul> <p>The appointment of management was also consistently done with due regard for required skill sets, qualification, character, relevant experience, regardless of age or ethnicity. As part of its succession and talent retention initiatives, the Company will first identify suitable appointee from within the Group, failing which external sourcing via open advertisement or recruitment agencies would be employed to source for candidate that has the best match and fit for the vacancy.</p>
<b>Explanation for departure</b>	:	
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<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board has not established a policy on gender diversity, nor set any targets as the Company is committed to diversity. The Company has diversity initiatives and strategies that are designed to attract, develop and advance the most talented individuals in our organisation regardless of their race, religion, age, gender or any other dimension of diversity. This has enabled the Group to achieve a fair gender representation, with a well-balanced ratio of male and female employees. In FY2020, female employees constitute over 40% of the total employees employed by the Group. More details of the Group's employee demographics can be found in the Sustainability Report that is included in the Annual Report 2020.</p> <p>At the Board level, even before the Company's listing in year 1994 we have had a woman director on Board providing the gender diversity and women's participation in decision-making position.</p> <p>The Board believes that the current measures and considerations taken in this regard sufficiently enables the Board, having mix skill sets, experience and talents, to effectively and objectively act in the best interests of the Company.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nominating Committee, in proposing new nominees for appointment to the Board, is authorised to seek independent professional advice to identify suitable candidates, if it considers it necessary to do so.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nominating Committee is chaired by Tuan Haji Zakariah bin Yet, the Senior Independent Non-Executive Director of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the financial year ended 31 July 2020, the Nominating Committee had undertaken the following evaluations in accordance with its approved terms and reference:</p> <ul style="list-style-type: none"> <li>(a) evaluated the effectiveness of the Board as a whole and the Board Committees;</li> <li>(b) assessed the contributions of each individual director;</li> <li>(c) assessed and confirmed the independence of the Independent Directors; and</li> <li>(d) evaluated the board composition in regards to the mix of its skill, in respect of their performance in this past financial year.</li> </ul> <p>The evaluation criteria used for the assessment of the Board comprised assessment of its structure, operation, mix of skill sets and experience, roles and responsibilities, whereas the Board Committees were assessed based on their composition, contribution to the Board’s effectiveness and discharge of their duties. As for the performance of individual directors, some of the factors used for their respective evaluations include contribution to interaction, attendance and participation at meetings and decision making processes, quality of input as well as understanding of his/her role and responsibilities.</p> <p>The assessment and comments by all Directors were summarised and reported to the Board by the Chairman of the Nominating Committee. The results of the assessment was that the Board has the right size and the Board composition is well balanced having considered the appropriate mix of skills, experience, independence and the diversity required to operate effectively and to meet the current and future needs of the Company.</p> <p>Notwithstanding this and with the view to raise the bar on the performance of the Board and its Committees, the Nominating Committee agreed at its meeting in September 2020 to change the manner of assessment by using instruments that deploy both qualitative and quantitative criteria.</p>
<b>Explanation for departure</b>	:	

## CORPORATE GOVERNANCE REPORT

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<b>Measure</b> :		
<b>Timeframe</b> :		

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established remuneration policies and procedures for the Directors and senior management staff that are formalised in the Board Charter.</p> <p>Broadly, these encompass:</p> <ul style="list-style-type: none"> <li>(a) periodic review of the Directors' fees;</li> <li>(b) determination of Directors' fees is based on: <ul style="list-style-type: none"> <li>• reference to prevailing market practices of comparable companies in similar industry;</li> <li>• basic fee for membership of the Board;</li> <li>• fee for chairmanship of the Board;</li> <li>• fee for membership of Board Committee; and</li> <li>• fee for chairmanship of Board Committee;</li> </ul> </li> <li>(c) determination of remuneration package of Executive Directors is based on market trends and the performance of the Group; and</li> <li>(d) abstention of Directors in determining his/her own fees or remuneration package.</li> </ul> <p>The Board periodically reviews the remuneration policies and procedures. The Board is committed in ensuring that the Group's remuneration policies remain competitive and attractive to retain Directors of high calibre with the necessary skills and experience required for effective management of the Group.</p> <p>The remuneration policy of the Board is generally disclosed in the abridged Board Charter on the Company's website.</p>
<b>Explanation for departure</b>	:	

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## CORPORATE GOVERNANCE REPORT

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board does not have a remuneration committee to implement its policies and procedures on remuneration. Instead, the Board itself undertakes this responsibility during the normal proceedings of the meeting of Directors.</p> <p>The Board's assumption of this responsibility still enables the Company to objectively attract and retain the right talent in the board and senior management to achieve its long-term objectives.</p>	
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## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Disclosure on a named basis of the remuneration of the Directors has been made in the Annual Report.	
<b>Explanation for departure</b>	:		
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## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The disclosure on a named basis of the remuneration of the top 5 management staff of the Group has not been made as the Board views such disclosure to be commercially unviable in this very competitive industry for high calibre staff. Additionally, disclosing such sensitive information may compromise retainability of good senior management staff, which in turn will jeopardise the Group's successful management and operations of its businesses.</p> <p>The Board's hiring policy of management staffs is determined with the objective of ensuring that the management staffs possess the best possible skills and experience, and can positively contribute to the success of the Group's businesses. At the same time, the Board ensures that it is able to attract, retain and motivate worthy management staff with a remuneration package that is also performance linked, and is competitive according to market standards.</p> <p>Nonetheless, the aggregate amount of the remuneration paid to the top 5 management staff of the Group is provided in the Annual Report.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

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

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The chairman of the Audit Committee is Tuan Haji Zakariah bin Yet, and he is not the chairman of the Board.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company has in the terms of reference of the AC prescribe that no person shall be eligible for appointment as AC member if such appointee is a former key audit partner unless he or she have observed a cooling-off period of at least 2 years.</p> <p>Presently, none of the audit committee members is a former key audit partner.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has always maintained transparent relations with its external auditors in seeking their professional advice, and ensured compliance with the applicable approved accounting standards in Malaysia.</p> <p>With this in mind, for the financial year under review, the Audit Committee, in consultation with the Board, had established a questionnaire form setting out the criteria that would be employed to assess the external auditor's suitability, objectivity and independence. These include:</p> <ul style="list-style-type: none"> <li>(a) calibre of external audit in terms of standing, international capabilities, technical expertise and knowledge;</li> <li>(b) size and expertise of audit team in terms of ability to provide effective audit service;</li> <li>(c) audit scope and planning in terms of adequate geographical coverage and significant areas;</li> <li>(d) understanding of audit expectations;</li> <li>(e) audit communications in terms of availability, quality, candour and timeliness;</li> <li>(f) quality processes/performance in terms of independence, quality, efficiency, and timeliness of service delivery;</li> <li>(g) audit fees in terms of reasonableness and sufficiency; and</li> <li>(h) independence and objectivity in terms of performance, limit on engagement term, cooling off period of engagement partner and non-audit services rendered, in absolute terms and/or as a percentage of audit fee.</li> </ul> <p>The Audit Committee also relies on the written assurance obtained from the external auditors confirming their independence throughout the conduct of the audit engagement.</p> <p>The Audit Committee, where it is satisfied that the external auditor has fulfilled the necessary requirements for the position, will recommend the external auditors to the Board for appointment or re-appointment.</p>
<b>Explanation for departure</b>	:	

## CORPORATE GOVERNANCE REPORT

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

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

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Collectively, all the members of the Audit Committee possess the necessary skills and experience to discharge their duties, and are financially literate. Mr Yong Chee Hou, who is a member of the Audit Committee, is a member of the Institute of Chartered Accountants in England and Wales, and a member of the Malaysian Institute of Accountants. The other two members of the Audit Committee, Tuan Haji Zakariah bin Yet and Ms Lim Mee Ing, have business management and banking qualifications respectively.</p> <p>During their attendance at the regular meetings of Audit Committee and Board in FY2020, the external auditors and Management had also highlighted to the Audit Committee on the latest changes to accounting standards and issues which have direct impact on the financial reporting. Specifically, they have been updated on the amended Malaysian Financial Reporting Standards ("MFRS") covering MFRS 3, MFRS 101 and MFRS 108 as well as on the Revised Conceptual Framework for Financial Reporting. As such, all members have been kept abreast of relevant development in accounting and auditing standards.</p> <p>The profiles of the Audit Committee, as well as the continuing professional development programmes that the Audit Committee members have attended during the last financial year, are provided in the Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has in place a risk management and internal control framework, which the Board reviews to ensure its effectiveness, adequacy and integrity.</p> <p>The Board oversees the Group's overall risk management and internal control systems, while the business unit management identifies and assesses the material risks faced by the Group as well as the design, implementation and monitoring of suitable internal controls to manage and mitigate these risks. The systems include organisational structure, strategic planning, risk management, financial management, operational control, regulatory and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets.</p> <p>The Audit Committee also supports the Board in this role by overseeing the internal control systems, financials and governance matters.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	An overview of the Company's risk management and internal control framework is found in the Statement on Risk Management and Internal Control in the Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

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

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group's internal audit function is outsourced to a public accounting firm of international standing.</p> <p>In the financial year, the Audit Committee has done the following to ensure the effectiveness and independence of the internal auditor's functions:</p> <ul style="list-style-type: none"> <li>(a) reviewed the internal audit plan and was satisfied that the internal auditors employed a systematic and reasonable methodology to select suitable audit areas and the corresponding group companies targeted for audit review;</li> <li>(b) reviewed and discussed the internal auditors' reports which highlighted the risk profiles and assessments, their recommendations, management responses and actions;</li> <li>(c) reviewed and discussed with the internal auditors on their follow-up audit on the prior year's audit to ensure management had carried out the agreed actions timely;</li> <li>(d) enquired with the internal auditors and was satisfied that they did receive full information and cooperation from management during their audit reviews; and</li> <li>(e) conducted annual assessment of the competency and effectiveness of the internal auditors and was satisfied that the audit team has the relevant qualifications, and adequate experience to conduct the audit competently and they have also demonstrated such competency in providing quality audit.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to Deloitte Risk Advisory Sdn Bhd (“Deloitte”).</p> <p>Prior to the internal audit engagement, Deloitte has performed the necessary conflict checks on the engagement and independence checks on its audit personnel. Deloitte has affirmed that the engagement is free from any relationships or conflict of interest, which could impair their objectivity and independence.</p> <p>In the financial year under review, Deloitte has assigned 9 internal auditors (including the engagement manager, director and partner) to service the Group on internal audit work.</p> <p>Ms. Cheryl Khor, the engagement partner, is a Chartered Accountant who has vast experiences in the areas of financial and operational audits covering internal audit, quality assurance reviews, business process review, risk management and corporate governance reviews of public listed companies.</p> <p>The internal audit services are performed in accordance with the Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (the “IIA Standards”).</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company maintains communication with its shareholders and stakeholders to keep them informed of all major developments and performance of the Group through timely quarterly announcements, and various disclosures and announcements made to Bursa Securities via the Bursa Link, press releases, the Company's annual reports and circulars to shareholders.</p> <p>Additionally, the Board also provides the shareholders with an opportunity to interact with the Board at the Company's general meetings to clarify any questions that they may have.</p> <p>Throughout the year, the Executive Directors, who are responsible for investor relations of the Company, also meet with analysts and institutional investors to keep them abreast of the Group's strategies, performance and activities.</p> <p>The Company's website also serves as a platform for shareholders and members of the public in general to gain access to updated information about the Group.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Company is not a "Large Company" as defined under the Malaysian Code on Corporate Governance 2017 ("MCCG").
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company despatches its notice of annual general meetings at least 21 days before the date of the annual general meeting as per the requirement of the Companies Act 2016 and the Main Market Listing Requirements.</p> <p>Notwithstanding the above, the notice of the 49<sup>th</sup> Annual General Meeting to be held on 7 January 2021, was sent out to shareholders on 27 October 2020, which is at least 28 days prior to the meeting.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	At the Annual General Meeting held on 8 January 2020, all the Directors attended the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



## CORPORATE GOVERNANCE REPORT

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company does not have a large number of shareholders and the general meetings are held in easily accessible location.</p> <p>At the Annual General Meeting held on 8 January 2020, the Shareholder had approved the adoption of the Company's Constitution to allow shareholder to attend general meeting remotely, in line with the expectation of the MCCG.</p> <p>Moving forward, the Board will monitor the developments in the market in respect of new technologies to facilitate the conduct of such meetings and may consider implementing the same in the future where there is a strong case to do so.</p> <p>In the meantime, shareholders who are unable to attend may appoint their proxies or the Chairman to vote on their behalf.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	