

CORPORATE GOVERNANCE REPORT

STOCK CODE : 9334
COMPANY NAME : KESM Industries Berhad
FINANCIAL YEAR : July 31, 2022

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 PERSUANT 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.

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.

Application	:	Applied
Explanation on application of the practice	:	<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 ("AC") and the Nominating Committee ("NC"), 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 www.kesmi.com.</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>

	<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 AC, 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 NC 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 NC, 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>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

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.

Application	:	Applied	
Explanation on application of the practice	:	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.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board Chairman is Mr Samuel Lim, who is also the Company's CEO.</p> <p>The Board has taken the view that given the nature and size of the Group's businesses, it is in the best interests of the Company to vest both roles on the same individual, Mr Samuel Lim. His deep knowledge of the products, experience of the business, wide contacts in the industry and visionary leadership, will ensure there is effective management and continued success of the Group, in meeting its obligations and goals. The combined roles thus provide the Group, with a strong and consistent leadership, and allows for more effective planning and expeditious execution of the business strategies.</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 directly 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> <p>Furthermore, in view of Mr Samuel Lim's performance, professionalism and objectivity in discharging his responsibilities, the Board fully supports the retention of his combined roles as Board Chairman and CEO.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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 Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
Application :	Departure
Explanation on application of the practice :	
Explanation for departure :	The Chairman of the Board is not a member of the Company's Board Committees, i.e. AC and NC. Nonetheless, he has been invited to attend the Board Committees' meetings because there are common agenda items that similarly require the Board's consideration/approval, as well as to get his input as and when they are needed.
	His presence in the meetings of the Board Committees has not affected the independent and objective functioning of the Committees. This is because the Committees are chaired by independent directors and all their recommendations/decisions are deliberated by the Committees with due consideration of the interests of the Company.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe :	Choose an item.

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

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.

Application	:	Applied
Explanation on application of the practice	:	<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"> (1) assisting the Chairman and the chairmen of the Board Committees in developing agendas for the meetings; (2) administering, attending and preparing the minutes of meetings of the Board, Board Committees and the shareholders; (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; (4) advising on matters relating to corporate governance practices; (5) facilitating suitable training courses and arranging for Directors to attend such courses; and (6) ensuring good information flow between Board members, the Board and its Committees, as well as between management and the Directors.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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 1.6

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.

Application	:	Applied
Explanation on application of the practice	:	<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 by the Board and Board Committees at the following meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 Board 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 March 2022, 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 www.kesmi.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 is publicly available on the Company's website at www.kesmi.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<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 is also publicly available on the Company’s website at www.kesmi.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company’s sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has the overall responsibility over the Company and the companies within the Group. In discharging its duties and responsibilities, the Board set the strategies of the Group to ensure that the Group was led and managed in an effective and responsible manner so that the objectives and goals were met. One of their duties under the charter is to promote sustainability strategies to support long term value creation, taking into consideration economic, environmental, and social considerations.</p> <p>The Board is responsible for ensuring that sustainability is integrated into the strategic direction of the group and its operations. To achieve this, the Board continuously ensures that there is an effective governance framework for sustainability within the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2

The board ensures that the company’s sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company is committed in maintaining strong relationships with stakeholders to foster a strong sense of confidence and trust in KESMI. The Company identified key stakeholders as those who have significant impact on and are significantly impacted by KESMI’s operations. Stakeholders are engaged on a regular basis through various platforms to better understand and address their needs and concerns. For example, investors and shareholders are engaged during the annual general meeting as well as analyst/investor meetings.</p> <p>The Company ensures that material matters are reassessed on an annual basis considering inputs from both internal and external stakeholders to determine the relevance of topics to the business.</p> <p>The comprehensive description of the various stakeholder groups identified, engagement methods and the results of the materiality assessment can be found in the annual report which includes the annual sustainability report. Likewise, the report also informs stakeholders of KESMI’s sustainability priorities, initiatives, and targets for the year.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has in place a risk management and internal control framework, which the Board reviews to ensure its effectiveness, adequacy and integrity. 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.</p> <p>As part of the annual reassessment of material matters, the Board conducts a robust review and assessment on the materiality of risks before the final list of matters is validated and endorsed.</p> <p>The Board is also regularly updated by Senior Management and the Head of Departments on sustainability-related performance metrics to facilitate the review of KESMI’s sustainability and calibration of existing sustainability policies and practices where necessary.</p> <p>The Company understands the importance for Board members to have sufficient understanding and knowledge of sustainability issues in order to discharge their role in sustainability effectively.</p> <p>During the year, directors across the Board attended sustainability related trainings to equip themselves with basic knowledge on sustainability and sustainability matters such as corporate sustainability, climate risks and human rights. This helped to make informed decision to adopt a phased approach for climate-related disclosures and to enhance sustainability reporting through Core ESG Metrics disclosures.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company’s material sustainability risks and opportunities.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board evaluation encompasses the Board’s commitment to review and assess material information, knowledge to provide quality and professional reviews, and the ability to incorporate sustainability risks and opportunities into its strategic directions.</p> <p>The senior management is evaluated through sustainability KPIs benchmarked against industry practices, considering economic, environmental, social, and governance-related risks and opportunities.</p> <p>The Board is cautious to link sustainability measurement metrics with remuneration in achieving the full extent of its effectiveness and appropriateness. The management will work with the Board to draw references from industry and professional advice in such measurement metrics and incorporate relevant sustainability-related key performance indicators into the remuneration framework as the sustainability practices mature.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board has appointed a sustainability committee comprising the Corporate Controller and Divisional Plant Manager to drive and implement the sustainability policies and practices of KESMI, champion sustainability KPIs, monitor its performance and provide regular updates to the Board for approval.</p> <p>During the financial year, the committee had undertaken the following additional actions, on top of the existing practices:</p> <ul style="list-style-type: none">• Completed feasibility study and pilot testing for the installation of the rooftop solar system• Establish a tracking and reporting process for five additional ESG metrics to better align KESMI with the sustainability reporting landscape• Established a 3-year roadmap for climate-related disclosures consistent with the TCFD recommendations• Embarked on transitioning to the GRI Standards 2021

Intended Outcome

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

Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The NC has been charged to conduct annual review of the size and composition of the Board, including diversity and tenure of directors. It also assisted the Board in determining the eligibility of the directors due for rotational re-election pursuant to the Company's Constitution.</p> <p>In making recommendations on the Board composition and annual re-election of directors, the NC considered the following factors:-</p> <ul style="list-style-type: none">a) the composition of the Board bearing in mind the nature and the size of the Group's operations, compliance with MMLR and recommendation of the Malaysian Code on Corporate Governance 2021 ("MCCG") such as diversity;b) tenure of each director along with the need to refresh the Board as it deems necessary;c) performance and contribution of the directors; andd) fit and proper assessment of the directors.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<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>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 5.3

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 provide justification and seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<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>Tuan Haji Zakariah Bin Yet and Mr Yong Chee Hou have been independent non-executive directors of the Company since 8 March 2011 and 11 January 2002 respectively. Whilst they have served on the Board for more than 9 years and 12 years respectively, the Board has, upon periodic appraisal of their independence, concluded that Tuan Haji Zakariah Bin Yet's and Mr Yong's independence on the Board has been maintained as their length of service on the Board have not affected their ability to exercise independent judgement while acting in the best interests of the Company.</p> <p>Subsequent to the financial year ended 31 July 2021, the Board had conducted an appraisal on the independence of Tuan Haji Zakariah Bin Yet and Mr Yong and concluded that they have met the independence criteria set out in the MMLR and MCCG, and they continue to maintain independent and objective views in rendering their services. The Board sought approval from shareholders at the 50th Annual General Meeting to retain Tuan Haji Zakariah Bin Yet and Mr Yong as independent directors through a one-tier voting and their retention was approved with a substantial majority of 98.4%.</p> <p>The NC and the Board took cognisance of Paragraph 1.01(h) of the MMLR that stipulate ID who have served more than 12 years have to be redesignated as non-independent non-executive director with effect from 1 June 2023. In this connection, the NC/Board will be</p>

	embarking on a search for suitable new IDs to maintain the right composition of independent directors.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 5.4 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 5.5

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.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

Application	:	Applied
Explanation on application of the practice	:	<p>The NC 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 NC are detailed in its Terms of Reference that is available on the Company's website at www.kesmi.com.</p> <p>The key responsibilities of the NC include:</p> <ul style="list-style-type: none">(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;(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(c) monitoring and evaluating the effectiveness of the Board and its committees, and developing appropriate procedures for individual evaluations. <p>During the financial year, a Directors' Fit and Proper policy has been formalised to enable the NC/Board to ensure the right calibre of directors who are able to devote sufficient time to the Board's affairs are appointed. To this end, the Board currently composed of directors with a mix of adequate core competencies, background and gender, as well as time commitment to serve on the Board.</p> <p>The appointment of senior management staff was also consistently done with due regard for required skill sets, qualification, character, relevant experience, regardless of age or ethnicity. As part of its</p>

	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.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.6

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.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

Application	:	Applied	
Explanation on application of the practice	:	The NC, 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. During the financial year, no new director was appointed.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application	:	Applied
Explanation on application of the practice	:	Shareholders are provided with detailed information on directors who are standing for re-appointment or re-election at the Company's AGM via the Board of Directors' profile disclosed in the Annual Report. Similarly, the Board's statement relating to the reasons to support the recommendation for the re-appointment or re-election are disclosed in the Explanatory Notes section of the Notice of AGM, which is also included in the annual report.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.8

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

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

Intended Outcome

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

Practice 5.9

The board comprises at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	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. As at the financial year and currently, the Board still have a woman director constituting 20% of the Board composition.
		The Board is of the view that its current practice to maintain at least one woman director has served the Company well all these years and therefore it has set this as its policy and target – see Practice 5.10 disclosure.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 5.10

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's policy on gender diversity is set out in the Board Charter which are as follows:</p> <p>(a) at least one woman director shall be on the Board; and</p> <p>(b) equal opportunities will be provided to all employees without discrimination against gender to attract individuals from the broadest possible talent pool and hire the best qualified candidate for the position, including for career advancement to senior leadership position, based on meritocracy.</p> <p>In FY2022, female employees constitute 36% of the total employees employed by the Group and 50% of the senior operational management positions is held by women. In terms of new hires, women to men ratio was 29%:71%.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 6.1

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 its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year ended 31 July 2022, the NC had undertaken the following evaluations in accordance with its approved terms and reference:</p> <ul style="list-style-type: none">(a) evaluated the effectiveness of the Board as a whole and the Board Committees;(b) assessed the contributions of each individual director;(c) assessed and confirmed the independence of the Independent Directors; and(d) evaluated the board composition in regards to the mix of its skills, in respect of their performance in this past financial year. <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 NC. The results of the assessment were 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>

	Nonetheless, the Board took cognisance that the long-tenured Independent Directors, namely Tuan Haji Zakariah Bin Yet and Mr Yong Chee Hou would have to be re-designated as Non-Independent Non-Executive Directors effective 1 June 2023 pursuant to Paragraph 1.01(h) of MMLR, if they were to remain on the Board. The NC/Board will be sourcing for suitable candidates who fulfil the ID criteria, to recompose the Board by 31 May 2023.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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 7.1

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established remuneration policies and procedures for the Directors and senior management staff that are formalised in the Remuneration Policy for Directors and Senior Management established by the Board during the financial year.</p> <p>The Policy lay down the governing principles, policies and procedures for determining remuneration of directors and senior management staffs of the Group.</p> <p>The Board will periodically review the Policy from time to time to ensure it remains consistent with the Board's objectives, the needs of the Company, applicable laws and practices.</p> <p>The Policy is available on the Company's website at www.kesmi.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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 7.2

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	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.	
		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.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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 8.1

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.

Application	:	Applied
Explanation on application of the practice	:	Disclosure on a named basis of the remuneration of the Directors is as per the table below.

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Samuel Lim Syn Soo	Executive Director	54	-	638	106	-	-	798	144	-	638	106	-	-	888
2	Kenneth Tan Teoh Khoon	Executive Director	49	-	638	106	-	-	793	59	-	638	106	-	-	803
3	Tuan Haji Zakariah Bin Yet	Independent Director	55	9	-	-	-	-	64	65	9	-	-	-	-	74
4	Yong Chee Hou	Independent Director	54	9	-	-	-	-	63	64	9	-	-	-	-	73
5	Lim Mee Ing	Non-Executive Non-Independent Director	54	9	-	-	-	-	63	54	9	-	-	-	-	63
6	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
7	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
8	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
9	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
10	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
11	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
12	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
13	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
14	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
15	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

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 8.2

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	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.
		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. Nonetheless, the aggregate amount of the remuneration paid to the top 5 management staff of the Group is provided in the Annual Report.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

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 8.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

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 9.1

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

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

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 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The AC has prescribed in its Terms of Reference that no person shall be eligible for appointment as AC member if such appointee is a former partner of the external audit firm of the Company unless he or she have observed a cooling-off period of at least 3 years.</p> <p>Presently, none of the AC members is a former partner of the Company's external auditors, Ernst & Young PLT.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

Application	:	Applied
Explanation on application of the practice	:	<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 AC, in consultation with the Board, had established a questionnaire form setting out the criterions that would be employed to assess the external auditor's suitability, objectivity and independence. These include:</p> <ul style="list-style-type: none">(a) calibre of external audit in terms of standing, international capabilities, technical expertise and knowledge;(b) size and expertise of audit team in terms of ability to provide effective audit service;(c) audit scope and planning in terms of adequate geographical coverage and significant areas;(d) understanding of audit expectations;(e) audit communications in terms of availability, quality, candour and timeliness;(f) quality processes/performance in terms of independence, quality, efficiency, and timeliness of service delivery;(g) audit fees in terms of reasonableness and sufficiency; and(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. <p>The AC also relies on the written assurance obtained from the external auditors confirming their independence throughout the conduct of the</p>

	audit engagement. The AC, 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.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent 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.

Application	:	Applied
Explanation on application of the practice	:	<p>Collectively, all the members of the AC possess the necessary skills and experience to discharge their duties, and are financially literate. Mr Yong Chee Hou, who is a member of the AC, 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 AC, 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 AC and Board in FY2022, the external auditors and Management had also highlighted to the AC on the latest changes to accounting standards and issues which have direct impact on the financial reporting. Specifically, they have been updated on the Malaysian Financial Reporting Standards ("MFRS") covering the amended MFRSs 4, 7, 9, 16, 101 and Practice Statement 2, 108, 112 and 139. As such, all members have been kept abreast of relevant development in accounting and auditing standards.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<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 AC also supports the Board in this role by overseeing the internal control systems, financials and governance matters.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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 10.2

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

Application	: Applied
Explanation on application of the practice	<p data-bbox="544 712 906 745"><u>Risk Management Framework</u></p> <p data-bbox="544 786 1396 920">The Board adopts an Enterprise Risk Management ("ERM") framework, which made reference to an internationally recognised risk management framework. The Group's ERM framework comprise the following features:</p> <ul data-bbox="592 965 1396 1682" style="list-style-type: none"> • Set the right tone and culture for effective risk management to be in place. • Embed risk management in the Group's business and processes. • Structured process for risk identification, assessment, communication, treatment and monitoring, along with continual review of effectiveness of risk mitigation strategies and controls. • Established self-assessment of risk checklist and risk register which encompass risk appetite and tolerance assessment. • Review by Executive Directors and corporate management on the key risks and the execution and management of the risk mitigation strategies by business units. • Reporting of the key risks exceeding tolerance levels to the Board. • Independent assessment by the outsourced internal auditors on the quality of risk management and internal controls and reporting to the Audit Committee and Board. • Annual assessment of effectiveness of risk management process by Executive Directors and Board. <p data-bbox="544 1727 879 1760"><u>Internal Control Framework</u></p> <p data-bbox="544 1800 1396 1834">The key features of the Group's internal control system are as follows:</p> <ul data-bbox="592 1874 1396 2004" style="list-style-type: none"> • An organisation structure with defined lines of responsibilities and appropriate levels of delegation of authority. • A process of hierarchical reporting to provide a documented and auditable trail of accountability.

	<ul style="list-style-type: none"> • Regular meetings of senior management with the Executive Directors to review the financial performance as well as business, operational and compliance-related matters of the business units. • Standard operating manuals and process manuals are established to guide compliance with the Group’s internal control requirements. • Policies are established to articulate and guide acceptable business practices and behaviour of all employees, including the directors. • Outsourced internal audit function provides the Board with an independent assessment on the adequacy, efficiency and effectiveness of the Group’s internal control system. <p>Further details of the Group’s risk management and internal control framework are provided in the Statement on Risk Management and Internal Control in the Annual Report.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

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 10.3 - 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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function is outsourced to a public accounting firm of international standing.</p> <p>In the financial year, the AC has done the following to ensure the effectiveness and independence of the internal auditor's functions:</p> <ul style="list-style-type: none">(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;(b) reviewed and discussed the internal auditors' reports which highlighted the risk profiles and assessments, their recommendations, management responses and actions;(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;(d) enquired with the internal auditors and was satisfied that they did receive full information and cooperation from management during their audit reviews; and(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.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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 11.2

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is outsourced to Deloitte Business 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 a headcount of over 25 internal auditors to serve the Group on internal audit work.</p> <p>Mr Muzafar Kamal Mahmood, the engagement partner, is a Chartered Accountant with vast experiences in corporate governance, internal audit as well as enterprise risk management and financial audit involving Public Listed Companies, Multi-National Companies and Government-Linked 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>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<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, 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>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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 12.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not a “Large Company” as defined under the MCCG.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 13.1

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

Application	:	Applied
Explanation on application of the practice	:	The Company advertised and announced its notice of the 50 th Annual General Meeting held on 13 January 2022 on The Star newspaper and to Bursa Securities respectively on 27 October 2021, 28 days prior to the meeting. The Notice of AGM, associated Proxy Form and Administrative Guide for the 50 th AGM (“Guide”) were also made available to shareholders on the Company’s website. The Guide provides clear and comprehensive information to shareholders relating to the AGM administration, such as procedures and deadlines for pre-registration attendance, pre-submission of questions before the meeting, appointment of proxy or corporate representative, as well as instructions on what they must do on the day of meeting in order to effectively participate and vote at the AGM.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 13.2

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

Application	:	Applied	
Explanation on application of the practice	:	At the Annual General Meeting held on 13 January 2022, all the Directors attended the meeting and responses to questions raised by the shareholders were addressed by the Directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders’ participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company conducted its 50th AGM electronically in its entirety via Remote Participation and Electronic Voting facilities (“RPEV”).</p> <p>Shareholders are able to attend AGM via the RPEV facilities or may appoint their proxies or corporate representatives or the Chairman to vote on their behalf.</p> <p>To ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats, Boardroom Share Registrars Sdn. Bhd. whom the Company engaged as the Poll Administrator for the 50th AGM confirmed to the Company the following:-</p> <ul style="list-style-type: none"> • The Lumi AGM systems and suppliers’ services are certified with the ISO/IEC 27001:2013 International Standard which provides a robust, auditable and externally verified framework of controls designed to maintain the confidentiality, integrity and availability of customer information and the personal data which Lumi AGM processes on their behalf. • Lumi uses strong, industry best-practice encryption techniques to ensure customer data is protected from unauthorised access. All data is encrypted, with all keys managed directly by Lumi AGM. There is audit trail on the respective Lumi AGM system. • The Lumi platform is regularly and extensively penetration tested using independent, accredited third-party experts. • Client data is never used for quality assurance purposes and is not retained beyond the purpose of processing Client’s proxy forms for the conduct of the general meetings.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
Application :	Applied
Explanation on application of the practice :	All the Board members, Company Secretary, corporate management staffs and the professional advisers were present remotely via live webcast at the 50 th AGM to engage with the shareholders. The shareholders were able to participate and interact with the Board actively during the AGM via live streaming through the submission of questions via the query box. All pertinent questions covering financial and non-financial matters and strategies of the Company were addressed by the Executive Directors during the meeting and the responses, including those that could not be answered at the AGM, were subsequently posted on the Company's website.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
Application :	Applied
Explanation on application of the practice :	<p>Due to the COVID-19 pandemic situation, the Company had to hold its 50th AGM entirely on a virtual basis through live webcast and online remote voting using the RPEV facilities from the online meeting platform at https://meeting.boardroomlimited.my/ provided by Boardroom Share Registrars Sdn. Bhd. ("Boardroom"), the Poll Administrator. In this manner, shareholders are able to have active and meaningful engagement with the Board at the meeting.</p> <p>Boardroom was able to provide adequate tools, infrastructure and technical support to enable smooth broadcast of the virtual meeting, including connecting to the Singapore broadcast site whereby the Board Chairman and foreign Directors are located. Throughout the proceedings, shareholders were able to participate interactively with the Directors.</p> <p>Questions posed by shareholders before and during the meeting were read out and made visible during the questions and answers session.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>	
Application	: Departure
Explanation on application of the practice	:
Explanation for departure	: Instead of circulating the minutes of the 50 th AGM to all shareholders, the Company has adopted the alternative practice to allow shareholders to request for a copy of the minutes, in line with its sustainability efforts to go paperless.
	To this end, a hyperlink has been set up on the Company's website to facilitate shareholders to submit their request.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	: Choose an item.

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
PERSUANT 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.

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