

CORPORATE GOVERNANCE REPORT

STOCK CODE : 8435
COMPANY NAME : Concrete Engineering Products Berhad
FINANCIAL YEAR : August 31, 2021

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.

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| Application : | Applied | |
| Explanation on application of the practice : | <p>The Board is responsible for oversight and overall management of the Company with an ultimate accountability and responsibility for the performance of the Company and promote legitimate interests of the Company, its shareholders and other stakeholder.</p> <p>The Board delegated certain responsibilities and duties to the Board Committees. All the Board Committees discharge their duties and responsibilities within the terms of reference approved by the Board.</p> <p>The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands.</p> <p>The authority matrix clearly delineates relevant matters and applicable limits which require the Board’s approval and which the Board may delegate to the Management.</p> <p>The Board meets quarterly to review and monitor the Group’s financial and operational performance.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 1.2

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

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| Application : | Applied | |
| Explanation on application of the practice : | The Chairman of the Company is Encik Abdul Khudus bin Mohd Naa'im, who is an Independent Non-Executive member of the Board. The Chairman is primarily responsible for matters pertaining to the Board, provides leadership in ensuring effective functioning of the Board as a whole, encourage active and fair participation from every Board member and instilling good corporate governance practices and overall conduct of the Group. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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.

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|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | <p>The position of Chairman and Managing Director are held by different individuals, and this separation of positions promotes accountability, facilitates the division of responsibilities between them and further enhances the existing balance of power and authority.</p> <p>The Chairman is Encik Andul Khudus bin Mohd Naaim as mentioned in Practice 1.2 above.</p> <p>Mr Leong Kway Wah, an executive member of the Board, is the Managing Director. He has overall responsibilities over the Company’s operating units, organizational effectiveness and implementation of Board policies and decisions on a day-to- day basis.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 1.4

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.

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| Application : | Applied | |
| Explanation on application of the practice : | The Board is supported by the qualified Company Secretary in an advisory role to the Board, on both administrative as well as governance matters. The Company Secretary is a member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 1.5

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.

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| Application : | Applied | |
| Explanation on application of the practice : | All Directors are provided with an agenda and a set of Board papers prior to each Board Meeting. Board papers are required to be circulated at least seven (7) days prior to the date of each Board meeting to enable the Directors to obtain further explanation, if necessary, in order to be properly briefed before each meeting. Board members are supplied with full, timely and accurate information necessary to enable them to discharge their responsibilities. The deliberations and decisions at Board meeting are well documented in minutes. The status of actions taken with reference to the previous minutes of meetings is updated in the matters arising for the Board's notation. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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.

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|---|--|--|
| Application : | Applied | |
| Explanation on application of the practice : | <p>The Board has adopted a Board Charter which provides guidance for Directors and Management regarding the responsibilities of the Board, its Committee and the Management.</p> <p>The Board Charter is reviewed regularly to ensure it complies with legislation and best practices, and remains relevant and effective in light of the Board's objective.</p> <p>The Board Charter is available on the Company's website at http://www.cepco.com.my</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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.

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|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | The Board has adopted a Code of Ethics for Company Directors. The Code of Ethics provides good guidance for a standard of ethical behavior for Directors based on trustworthiness and values that can be accepted and to uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administering a Company. The Code of Ethics is available on the Company's website at http://www.cepc.com.my | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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.

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|---|--|--|
| Application : | Applied | |
| Explanation on application of the practice : | <p>The Board has also adopted Whistle-Blowing Policies and Procedures, which outline when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of regulatory requirements involving employees, Management or Director in the Group. The Board is aware of the need for adherence to the Code of Conduct and Employees' Handbook by Directors of the Company and employees in the Group respectively, and will take measures to put in place a process to ensure its compliance.</p> <p>Whistle-Blowing Policies and Procedures is available on the Company's website at http://www.cepcos.com.my</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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 director.

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|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | The current Board size consist of 4 (four) members comprising a Non-Executive Chairman who is also an Independent Director, a Managing Director, and 2 other Independent Non-Executive Directors. The present composition reflects more than half of the Board members are Independent Directors. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

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|---|--|--|
| Application : | Applied- Annual shareholders’ approval for independent directors serving beyond 9 years | |
| Explanation on application of the practice : | <p>The Board would seek annual shareholders’ approval to retain an Independent Director beyond nine (9) years.</p> <p>Mr Dennis Xavier has served the Company for a cumulative term of more than 9 years as an Independent Director and the Board intends to continue to retain him as an Independent Director by seeking shareholders’ approval at the forthcoming AGM.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

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| Application : | Not Adopted |
| Explanation on application 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 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.

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| Application : | Applied | |
| Explanation on application of the practice : | The Board is committed to ensure that the Directors of the Company possess a broad balance of skills, knowledge, experience, background, independence and diversity. The Nominating Committee is responsible to recommend to the Board for the appointment of new Directors and it endeavor to ensure that gender, ethnicity and age diversity will be taken into account in nominating quality candidates to be appointed to the Board. Selection of senior management also based on objective criteria and merit, with due regard to diversity in skills, experience, age, cultural background and gender. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

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| Application : | Departure | |
| Explanation on application of the practice : | | |
| Explanation for departure : | <p>The Board currently does not have any gender, ethnicity and age policy or target.</p> <p>In designing the Board Composition, the Group believes that it is of utmost importance that the Board comprised the best qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and is able to discharge its duties in the best interests of the Company and shareholders.</p> <p>The Board will take necessary efforts to achieve 30% women directors in our Board in the near future.</p> | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

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| Application : | Applied | |
| Explanation on application of the practice : | <p>The Nominating Committee is responsible for identifying and recommending suitable candidates to be appointed to the Board.</p> <p>There were no new appointments made for the financial year ended 31 August 2021. Moving forward, the Nominating Committee will rely on varied sources to identify candidates to be appointed to the Board, including utilizing independent sources.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

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| Application : | Applied | |
| Explanation on application of the practice : | The Nominating Committee is chaired by Dato’ Ir Dr Abdul Aziz bin Arshad, who is an Independent Non-Executive Director. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

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| Application : | Applied |
| Explanation on application of the practice : | <p>The INEDs are assessed annually by the Nomination Committee on behalf of the Board. Following an assessment carried out for the financial year ended 31 August 2021 ("FY2021"), the Board is satisfied with the level of independence demonstrated by the INEDs and their ability to provide unbiased impartial and objective opinion during meetings and act in the best interest of the Company.</p> <p>The criteria used, among others, for the annual assessment of individual Directors include an assessment of their roles, duties, responsibilities, competency, expertise and contributions. In general, the assessment covers:-</p> <ul style="list-style-type: none">• Individual Board member's understanding and knowledge of the Company's mission and strategic plan;• Board members' understanding and knowledge of the Group's business and performance and application of good governance principles to create sustainable shareholder's value;• Board's independence in the process of decision making;• Ability to discharge such responsibilities or functions as expected from INEDs and whether the director has any conflicts of interest with the Company. <p>The Director who is subject to re-election/or re-appointment at next Annual General Meeting ("AGM") is assessed by the Nomination Committee before recommendation is made to the Board and shareholders for re-election and/or re-appointment.</p> |
| Explanation for departure : | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | |
| 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 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.

| | | |
|---|--|--|
| Application : | Applied | |
| Explanation on application of the practice : | <p>The Company does not have a formalised remuneration policies and procedures for Directors and Senior Management. However, the Remuneration Committee (“RC”) endeavours to ensure that the remuneration package offered is competitive to attract, retain and motivate senior executives of high caliber who will strive to achieve the Group’s objectives.</p> <p>The package may include basic salary, benefits and annual bonuses that will be based on the individual performance and dependent upon the achievement of predetermined targets.</p> <p>These policies and procedures are not made available on the Company’s website.</p> <p>For Non-Executive Directors, the remuneration is reflective of their experience, level of responsibilities and corporate earnings. The Directors’ fee and benefits have been reviewed by the RC and the Board has recommended that the Directors’ fee and benefits for the shareholders’ approval at the forthcoming Annual General Meeting.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 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.

| | | |
|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | <p>The Remuneration Committee (“RC”) is authorised by the Board to oversee and review the level and composition of Directors’ and Senior Management’s remuneration.</p> <p>The Board is satisfied that the RC has effectively and efficiently discharged its role and responsibilities with respect to its remuneration functions.</p> <p>The Terms of Reference of the Remuneration Committee will be made available on the Company’s website.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

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|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | A detailed disclosure on named basis of the remuneration of each director can be found under Corporate governance in the Company's Annual Report. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

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|---|---|--|
| Application : | Departure | |
| Explanation on application of the practice : | | |
| Explanation for departure : | The Board is of the opinion that it is not to the Company's advantage or best interest for such disclosure considering the highly competitive market for talents in our industry. | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

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| Application : | Not Adopted |
| Explanation on application 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 8.1

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

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| Application : | Applied | |
| Explanation on application of the practice : | The Chairman of the Audit Committee is Dato' Ir Dr Abdul Aziz bin Arshad, who is an Independent Non-Executive Director, and not the Chairman of the Board. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 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.

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|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | <p>The Audit Committee comprises 3 members, all of whom are Non-Executive Directors and with a majority of Independent Directors.</p> <p>None of the members of the Audit Committee were former key audit partner of the Company's external auditors.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 8.3

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

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|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | <p>Procedure is in place for the Audit Committee to conduct annual evaluation of external auditor to assess their suitability, objectivity and independence.</p> <p>The Audit Committee has obtained written assurance from the external auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

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|---|--|--|
| Application : | Adopted | |
| Explanation on application of the practice : | The Audit Committee comprises solely of Independent Non-Executive Directors. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 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.

| | | |
|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | The members of the Audit Committee have the necessary skills to discharge its duties and are financially literate. The profiles of the members are provided in the Annual Report. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 9.1

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

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|---|--|--|
| Application : | Applied | |
| Explanation on application of the practice : | The Board has established the risk management and internal control framework and policies to identify, evaluate and manage the principal risk of the corporation's business. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 9.2

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

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|---|--|--|
| Application : | Applied | |
| Explanation on application of the practice : | The Board is assisted by Management and external parties to ensure that internal controls and risk management practices are implemented for managing the principal business risks of the Group. During the financial year under review, internal control and risk-related matters which warranted the attention of the Board, were highlighted via the AC meeting to the Board. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 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.

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|---|-------------|
| Application : | Not Adopted |
| Explanation on application 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 10.1

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

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| Application : | Applied | |
| Explanation on application of the practice : | <p>The Group has an independent internal auditor, which reports directly to the Audit Committee.</p> <p>Internal audit findings of operating units of the Group and investigations carried out by the internal audit are tabled at the Audit Committee Meeting.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

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.

| | | |
|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | A statement on the Internal Audit function with the required disclosure is available under the Audit Committee Report in the Company's Annual Report. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 11.1

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

| | | |
|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | <p>The Board ensures that the Company announces its quarterly results on a timely basis to its shareholders and stakeholders. These announcements are available via the link on the Company’s website (link to Bursa Malaysia’s website).</p> <p>The Board regards the Annual General Meeting as the primary platform where its shareholders are given the opportunity to speak and seek clarifications and the Annual Report as a vital source of information for existing and potential investors and stakeholders.</p> | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 11.2

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 : | Not Applicable. The Company does not fall under the category of Large Company as defined in the Malaysian Code on Corporate Governance 2017. | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 12.1

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 Notice for the Annual General Meeting (“AGM”) is included in the Annual Report of the Company and distributed to the shareholders at least 28 days prior to the AGM. Notice of 37 th AGM of the Company scheduled to be held on 12 January 2022 was issued and despatched to the shareholders on 13 December 2021. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 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.

| | | |
|---|--|--|
| Application : | Departure | |
| Explanation on application of the practice : | | |
| Explanation for departure : | <p>All the Directors have attended the 36th Annual General Meeting held on 13 January 2021.</p> <p>The Chairman of the Nomination Committee and Remuneration Committee as well as the External Auditors were present to response to all questions from the shareholders.</p> <p>Shareholders were invited to raise questions during the open question and answer session.</p> <p>A presentation was given by the Managing Director to keep the shareholders informed of the business and corporate developments concerning the Company.</p> | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| 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 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.

| | | |
|---|---|--|
| Application : | Applied | |
| Explanation on application of the practice : | Shareholders are entitled to appoint proxy/proxies to vote on their behalf in their absence. The Company’s General Meeting (“AGM”) are held at an easily accessible venue and not in remote locations. | |
| Explanation for departure : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | |
| Measure : | | |
| Timeframe : | | |

**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.

| |
|-----------------|
| Not applicable. |
|-----------------|