

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7153
COMPANY NAME : KOSSAN RUBBER INDUSTRIES BHD
FINANCIAL YEAR : December 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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

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 | : | <ul style="list-style-type: none"> - The Board is responsible for the oversight and overall effective management of the Company. - The Board Charter formalises the duties and responsibilities of the Board, the Board Committees and Management. - The roles and responsibilities of the Board as set out in the Board Charter are clear and distinct from that of the Group Managing Director/Chief Executive Officer. - The Board has oversight on matters delegated to Management. - The Board's principal responsibilities include reviewing and adopting strategic plans, overseeing conduct of business, risk management and implementation of internal control procedures. - The Board has delegated specific responsibilities to the following committees: - <ul style="list-style-type: none"> a) Audit Committee ("AC") b) Risk Management Committee ("RMC") c) Nominating Committee ("NC") d) Remuneration Committee ("RC") - The powers delegated to the committees are set out in the Terms of Reference of each committee. |
| Explanation for departure | : | |
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| <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

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 | : | <ul style="list-style-type: none">- The roles and responsibilities of the Chairman of the Board are clearly specified in the Board Charter.- The Chairman, Mohamed Shafeii Bin Abdul Gaffoor, is an independent non-executive director and is primarily responsible for matters pertaining to the Board and the overall conduct of the Company.- The Chairman is committed to good corporate governance practices and has been leading the Board towards a high performing culture.- The key responsibilities of the Chairman are clearly stated in the Board Charter and include the following: -<ul style="list-style-type: none">• sets the Board agendas and ensure Board members receive complete and accurate information on a timely basis;• leads Board meetings and discussions;• encourages active participation and allowing dissenting views to be freely expressed;• manages the interface between Board and Management;• ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and• leads the Board in establishing and monitoring good corporate governance practices. |
| Explanation for departure | : | |
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| <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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- The Chairman, Mohamed Shafeii Bin Abdul Gaffoor and the Managing Director/Chief Executive Officer, Tan Sri Dato' Lim Kuang Sia, hold separate positions and their roles and responsibilities, governed by the Board Charter, are clearly distinct to enhance the balance of power and authority.- The Group Managing Director/Chief Executive Officer oversees the day-to-day management of the Group and implements the decisions and policies 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

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

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| <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 | : | <ul style="list-style-type: none">- The Chairman of the Board, En. Mohamed Shafeii Bin Abdul Gaffoor, is currently also the Chairman of the Nominating Committee and Remuneration Committee, as well as a member of the Audit Committee. The Chairman is conscious of his differing roles in the Board and Board Committees. |
| | : | <ul style="list-style-type: none">- All Board Committees comprise of a majority of independent non-executive directors ("INEDs"). This is to ensure more effective oversight of management as well as to support objective and independent deliberation and review at the Board Committees level.- All recommendations by the Committees to the Board are thoroughly deliberated at Board Committees levels which involved the participation of the INEDs. The deliberations and decisions of the Board and Board Committees meetings are well documented in the minutes of meetings, including any dissenting views and abstention of directors from voting or deliberation on a related matter. As such, this would have eliminated the risk of self-review. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | The Board will reassess the composition of all board committees. |
| Timeframe | : | Within 3 years |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- Both company secretaries of the Company are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016. One is a member of the Malaysian Institute of Accountants while the other is licensed by the Registrar of Companies. Both passed the practising license issued by the Companies Commission of Malaysia (CCM).- Their responsibilities include: -<ul style="list-style-type: none">(a) ensure compliance to listing and related statutory obligations, updates on regulatory requirements, codes, guidance and other relevant legislations;(b) ensure adherence and compliance to Board policies and procedures, rules, best practices on corporate governance.(c) attend all meetings of the members, Board and committees and ensure the proper recording of minutes of meetings;(d) ensure proper upkeep of statutory records and timely filing of returns; and(e) assist the Chairman in the preparation for and conduct of meetings, updates on regulatory requirements.- The company secretaries undertake continuous professional development to keep abreast of the latest developments.- The Board is satisfied with the performance and support rendered by the company secretaries. |
| Explanation for departure | : | |
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| <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 1.6

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- To facilitate the Directors' time planning, the annual meetings calendar is prepared and circulated in advance of each new year. The notification provides the Directors with scheduled dates of meetings of the Board, Board Committees and the Annual General Meeting.- The Board Charter provides that five (5) working days' notice be provided for each meeting, except in emergency case, where the five (5) working days' notice is dispensed with. This is to ensure Directors have sufficient time and information to make informed decisions at the meeting.- The deliberations and decisions at Board and Board Committees meetings are documented, including matters where member(s) abstained or voted against the resolution.- The Directors are provided with meeting materials which are complete and accurate within reasonable time period prior to the meeting. |
| Explanation for departure | : | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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

Practice 2.1

- 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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| | | | (f) KPMG Board Leadership Center Exclusive - US Forced Labor Legislation: Impact on Corporate Malaysia | 15/9/2021 |
| | | | (g) SC's Audit Oversight Board Conversation with Audit Committees | 29/11/2021 |
| | 3. | Lee Choo Hock | (a) HSBC Trimester 1: -Health Safety and Wellbeing -Risk Management -Cyber -Data Privacy | 9/1/2021 |
| | | | (b) HSBC Trimester 2: -Financial Crime Risk -AB&C -AML -Sanctions -Fraud -Tax Transparency | 15/1/2021 |
| | | | (c) Identifying and Reporting Climate-related Financial Risk - Climate Related Disclosures | 27/1/2021 |
| | | | (d) HSBC Trimester 3: -Conduct including 'Speak Up' -Workplace Harassment | 29/1/2021 |
| | | | (e) Identifying and Reporting Climate-related Financial Risk - Climate Risk Management | 3/2/2021 |
| | | | (f) Identifying and Reporting Climate-related Financial Risk - Climate Scenario Analysis | 10/2/2021 |
| | | | (g) HBMV and HBMS Board Strategic Offsite 2021 | 9/3/2021 |
| | | | (h) MYH WPB New/Existing Product Approval Process | 15/3/2021 |
| | | | (i) Leadership in COVID-Exit: Accelerated Digital Transformation of Legacy Companies | 25/3/2021 |
| | | | (j) The Role of Independent Director in Embracing Present and Future Challenges | 2/6/2021 |
| | | | (k) Doubling down on Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance (2021 Update) | 4/6/2021 |
| | | | (l) The Future of Malaysia's Financial Sector | 9/6/2021 |
| | | | (m) The JC3 Flagship Conference: #FinanceForChange | 23-24/6/2021 |
| | | | (n) NED Summit | 13/7/2021 |
| | | | (o) Launch of The Malaysian Board Practices Review 2020 | 8/7/2021 |
| | | | (p) Climate Risk Training | 17/9/2021 |
| | | | (q) Governance over the Use of Data Analytics | 13/10/2021 |
| | | | (r) Managing Cyber Risk | 5/11/2021 |
| | | | (s) HSBC Trimester 1 - 2021 | 5/11/2021 |
| | | | (t) HSBC Trimester 2 - 2021 | 5/11/2021 |

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| | | | (u) The 2050 Net Zero Carbon Emissions Target: Finance's Role | 12/11/2021 |
| | | | (v) SC's Audit Oversight Board Conversation with Audit Committees | 6/12/2021 |
| | | | (w) Introduction to Islamic Banking | 15/12/2021 |
| | 4. | Hoh Kim Hyan | (a) When Trouble Comes Knocking: How to Deal with Investigations | 23/2/2021 |
| | | | (b) KPMG Board Leadership Center: Managing Human Rights - Why is it important to Corporations? | 11/3/2021 |
| | | | (c) Leadership in COVID-Exit: Collaboration in the Boardroom - Behavioural and Relationships | 22/3/2021 |
| | | | (d) Leadership in COVID-Exit: PowerX: Building the Mindsets of Tomorrow | 23/3/2021 |
| | | | (e) Leadership in COVID-Exit: In Conversation with Jesus Estanislao, Ph.D - Realising the Value of Corporate Governance in ASEAN | 24/3/2021 |
| | | | (f) Leadership in COVID-Exit: Accelerated Digital Transformation of Legacy Companies | 25/3/2021 |
| | | | (g) Leadership in COVID-Exit: A Boardroom Simulation - Live! Corporate Strategy Beyond the Crisis | 26/3/2021 |
| | | | (h) A dialogue with the CEO of IRB: SVDP, Tax Audits & Investigations - What you need to know | 8/4/2021 |
| | | | (i) KPMG Board Leadership Center Exclusive: Sustainable Finance - Making better financial decisions | 9/4/2021 |
| | | | (j) Building a resilient business through sustainability - Earth Day panel discussion | 22/4/2021 |
| | | | (k) Asia Pacific Board Leadership Centre Webinar: Board and Audit Committee Priorities 2021 | 7/5/2021 |
| | | | (l) Doubling down on Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance (2021 Update) | 4/6/2021 |
| | | | (m) Launch of The Malaysian Board Practices Review 2020 | 8/7/2021 |
| | | | (n) Global BLC webinar Building back better: A board's-eye view | 8/7/2021 |
| | | | (o) KPMG Board Leadership Center Exclusive: The New Reality of Cyber Hygiene | 21/7/2021 |
| | | | (p) Driving Consistency in ESG Disclosures | 9/9/2021 |
| | | | (q) KPMG Board Leadership Center Exclusive-US Forced Labor Legislation: Impact on Corporate Malaysia | 15/9/2021 |
| | | | (r) KPMG Asia Pacific Board Leadership & Assurance Summit | 16/11/2021 |

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| | | | (s) KPMG Asia Pacific Board Leadership & Assurance Summit | 17/11/2021 |
| | | | (t) KPMG Asia Pacific Board Leadership & Assurance Summit: Industry Sessions | 18/11/2021 |
| | | | (u) SC's Audit Oversight Board Conversation with Audit Committees | 29/11/2021 |
| | | | (v) Khazanah Nasional: Building Sustainable Value for Malaysians | 10/12/2021 |
| | 5 | Lim Leng Bung | (a) KPMG Board Leadership Center: Managing Human Rights - Why is it important to Corporations? | 11/3/2021 |
| | 6 | Tan Kong Chang | (a) Webinar on Covid-19 Management Guidelines at Workplace | 9/2/2021 |
| | | | (b) Leadership in COVID-Exit: Accelerated Digital Transformation of Legacy Companies | 25/3/2021 |
| | | | (c) How will RCEP Increase the Business Opportunities for Malaysia and for you? | 26/3/2021 |
| | | | (d) Asia Pacific Board Leadership Centre Webinar: Board and Audit Committee Priorities 2021 | 7/5/2021 |
| | | | (e) Doubling down on Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance (2021 Update) | 4/6/2021 |
| | | | (f) Market Updates on Production of Synthetic Gloves in China and Cost Competitiveness Benchmarking for the Manufacturing of Latex Products | 17/6/2021 |
| | | | (g) Climate Change, Reporting And Sustainability Trends: The Inter-Links Towards Addressing Sustainable Development Goals And Climate Change | 8/9/2021 |
| | | | (h) SIDC e-Conference: BFF 2021 - Transformative Innovation Reshaping Business Realities in Extraordinary Times | 22-23/9/2021 |
| | | | (i) Reimagine Leadership and Governance, Not Capitalism | 7/10/2021 |
| | | | (j) Behavioural Competency Familiarisation Workshop | 3/12/2021 |
| | 7 | Lim Siau Tian | (a) Governance in Finance | 24-25/3/2021 |
| | | | (b) Asia Pacific Board Leadership Centre Webinar: Board and Audit Committee Priorities 2021 | 7/5/2021 |
| | | | (c) Market Updates on Production of Synthetic Gloves in China and Cost Competitiveness Benchmarking for the Manufacturing of Latex Products | 17/6/2021 |
| | | | (d) Global BLC webinar Building back better: A board's-eye view | 8/7/2021 |

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| | | | (e) SIDC e-Conference: BFF 2021 - Transformative Innovation Reshaping Business Realities in Extraordinary Times | 22-23/9/2021 |
| | | | (f) US/EU Regulatory Framework Awareness | 2-3/12/2021 |
| | 8 | Lim Siau Hing | (a) A dialogue with the CEO of IRB: SVDP, Tax Audits & Investigations - What you need to know | 8/4/2021 |
| | | | (b) Sustainability Reporting Workshop: Scope & Materiality in Sustainability Reporting. | 26/4/2021 |
| | | | (c) Corporate Directors Transformational Leadership Series Module 4: Building a Transformational Business | 7-8/12/2021 |
| | 9 | Lim Ooi Chow | (a) Online Seminar - Process Optimization in Rubber Glove Manufacturing | 25/2/2021 |
| | | | (b) Forbes Asia CEO Webinar | 30/3/2021 |
| | | | (c) OCBC Webinar: Malaysia in Focus: When Politics meets Economics | 14/9/2021 |
| | | | (d) Sustainability Reporting Workshop: Scope & Materiality in Sustainability Reporting. | 26/4/2021 |
| | | | (e) SIDC e-Conference: BFF 2021 - Transformative Innovation Reshaping Business Realities in Extraordinary Times | 22-23/9/2021 |
| | | | (f) Regulatory Requirements for Senior Management (US FDA and EU) | 2-3/12/2021 |
| <ul style="list-style-type: none"> - The Board Charter is reviewed annually and updated, whenever necessary. The Board Charter was last reviewed and revised in February 2022. - The revised Board Charter is published on Kossan's website: www.kossan.com.my as well as in its internal portal. | | | | |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- The Kossan Code of Ethics and Conduct ("KCEC") was adopted to help the Company's employees to make the right choices and to act appropriately in response to ethical behaviour in the work place. The KCEC applies to the Board, management and all employees.- The KCEC covers, among others, the following areas: -<ul style="list-style-type: none">(a) compliance with national laws, rules and regulations of government agencies and authorities;(b) conflict of interest;(c) gifts, entertainments and loans;(d) confidential and proprietary information;(e) anti-corruption;(f) work environment;(g) data protection; and(h) political activities and interest.- The KCEC is extensive but not exhaustive and the Group expects employees to exercise good judgements in their decision making to ensure adherence to highest ethical standards.- The KCEC is published on Kossan's website: www.kossan.com.my as well as in its internal portal. |
| Explanation for departure | : | |
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| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- Kossan has established a Whistleblowing Policy with guidelines.- The Policy provides an avenue to its employees and the general public to raise concern about malpractice or improper conduct and explains how Kossan will respond. It also gives assurance that all concerns raised will be taken seriously.- Whistleblower can raise a concern in writing to:<ul style="list-style-type: none">o whistleblowing@kossan.com.my; oro auditcommittee@kossan.com.my.- Any concern raised will be deliberated by the Whistleblowing Committee and a decision will be made. The whistleblower will be informed of the outcome.- The policy will be reviewed from time to time to ensure effectiveness.- A whistleblower acting in good faith will be assured of non-retaliation, harassment or victimisation. All concerns raised will be treated in strict confidence.- The whistleblowing policy is published on Kossan's website: www.kossan.com.my as well as in its internal portal. |
| Explanation for departure | : | |
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| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <div><ul style="list-style-type: none">- The Board Charter provides that one of the key responsibilities of the Board is to review and approve strategic initiatives of the Group to support long term value creation, including strategies on economic, environmental and social considerations underpinning sustainability.- In this respect, the Board is assisted by the Group Managing Director/Chief Executive Officer who oversees the formulation, implementation and effective management of the Company's sustainability strategies and targets. The Sustainability Governance Structure is shown as below:</div> <div><pre>graph TD; A["Board of Directors 1. Responsible for overall governance of sustainability strategies and performance. 2. Ensures that sustainability is embedded in business strategy."] --> B["Group MD/CEO 1. Provides leadership and direction on sustainability focus areas and emerging matters. 2. Oversees the management of Group's sustainability risks and opportunities. 3. Approves sustainability targets."]; B --> C["Corporate Sustainability 1. Develops the sustainability pillars, strategies and targets. 2. Engages with key stakeholders. 3. Tracks the progress of key sustainability initiatives and targets. 4. Provides regular reporting to Top Management and the Board of Directors."];</pre></div> |
| Explanation for departure | : | |
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| <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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | - The Company's key sustainability matters are communicated through Kossan's annual report and website, and through targeted engagements with customers, vendors, relevant authorities and community leaders. Multiple engagements are also done with internal stakeholders who are responsible for driving and executing the sustainability initiatives. | |
| Explanation for departure | : | | |
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| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- All Board members attend trainings relating to sustainability matters to ensure that they stay abreast with and understand sustainability issues which are relevant to the Company and its business. The full details on trainings undertaken by the Directors in 2021 is disclosed in Practice 2.1 above.- Further to the above, Management had presented to the Board key sustainability matters, including climate-related risks and opportunities. The Directors had provided their views on sustainability issues discussed during Board meetings. |
| Explanation for departure | : | |
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| <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 4.4

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- The Board Effectiveness Evaluation Framework consist of related sustainability assessment criteria such as the oversight role of the Board to ensure sustainability of business operations.- Senior Management across the business and functional units are responsible for the achievement of sustainability targets for their divisions / departments.- To improve Board oversight role, Management will provide the Board with more comprehensive insight into sustainability risks and opportunity. | |
| Explanation for departure | : | | |
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| <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.

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| Application | : | Adopted |
| Explanation on adoption of the practice | : | The Group Managing Director / Chief Executive Officer provides leadership, direction and targets for the sustainability priorities of the Group. The Senior Manager of Corporate Sustainability drives the implementation of the priorities and tracks relevant measurements and targets. |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- In accordance with the Terms of Reference of the Nominating Committee, ("NC") the NC periodically assesses the composition of the Board and the tenure of each director on the Board, including the appointment or reappointment a board member.- Article 86 of the Company's Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation and be eligible for re-election.- For the purpose of determining the eligibility of the retiring Directors to stand for re-election at the forthcoming Annual General Meeting ("AGM"), the Board, through the NC, had assessed each of the retiring Directors taking into account, amongst others, the outcome of the Board Effectiveness Evaluation for financial year ended 2021, the Director' contribution to the Board and their independence (for independent directors only).- Save for Mr. Lim Leng Bung, who has expressed his intention not to seek re-election, the remaining Directors have indicated their willingness to seek re-election at the forthcoming AGM.- Based on the assessment outcome, both the individual Directors met the performance criteria. The Board thus approved the NC's recommendations that the retiring Directors are eligible to stand for re-election. |
| Explanation for departure | : | |
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| <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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | - The Board currently has nine (9) members, of which three (3) are independent and non-executives. | |
| | | - The Board believes the current Board composition has an appropriate mix of skills, expertise and experience, has contributed and will continue to contribute towards the growth of the Company. - The Board has deliberated on Practice 5.2 and was of the view that the current practice of the Board, with a fair and adequate representation from the major shareholders, would be in the best interest of the stakeholders. | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | | |
| Measure | : | The Nominating Committee will continually review on the composition of the Board vis-a-vis the independent directors. | |
| Timeframe | : | Others | 4 years |

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 | : | Applied | |
| Explanation on application of the practice | : | - During the financial period under review, none of the tenure of the Independent Non-Executive Directors exceeded a cumulative term limit of nine (9) years. | |
| 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 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 | : | <ul style="list-style-type: none">- The Board, through the Nominating Committee, take into account the current mix of skills, experience, age, cultural background and gender of the existing Board when seeking potential candidates.- This practice which is applicable at board level, is extended and applied at Senior Management level.- The Board recognises a diverse Board and Management that can lead to greater depth and breadth in decision making. | |
| 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 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 | : | <ul style="list-style-type: none">- The candidates for appointment to the Board are sourced from unrelated third parties.- The shortlisted candidates, who were not known to the existing board members, are interviewed by the Nominating Committee and those recommended shortlisted meet with the Board of Directors for approval. | |
| 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 | : | The Board statement and reasons supporting the re-election of the Directors standing for re-election are disclosed in the explanatory notes of the Notice of the 42nd Annual General Meeting, whilst their profiles can be found in the Directors’ Profile in the Annual Report 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

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 | : | <ul style="list-style-type: none">- The Nominating Committee (“NC”) is being chaired by En. Mohamed Shafeii Bin Abdul Gaffoor, who is an independent director. All members of the NC are independent directors.- The NC oversees matters relating to the nomination of new directors, annual review of the required mix of skills, experience and other requisite qualities of directors and of the Board as a whole. It is also involved in the assessment of directors retiring by rotation. | |
| 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 | : | - The Company currently has one (1) female director, which complies with the Main Market Listing Requirements. | |
| | | - The Board is mindful of the best practice recommended by the Securities Commission Malaysia under the Malaysian Code on Corporate Governance 2021 to comprise at least 30% women on Board and acknowledges the benefits of women participation on boards. - Having said that, Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights, and not based on gender alone. Beyond gender, other diversity markers such as independence, tenure, ethnicity and exposure were also factored in. - When a vacancy arises, extra consideration is given to identify suitably qualified women candidates for the position. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | The Nominating Committee will place gender diversity as one of the considerations for new appointment to the Board, whenever a vacancy arises. | |
| Timeframe | : | Others | 4 years |

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 | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <ul style="list-style-type: none">- The Board has not formalised a policy on gender diversity. | |
| | | <ul style="list-style-type: none">- While the Board acknowledged the merits of gender diversity towards Board representation, the Board is guided by the principal that appointment of new Board member shall not be biased towards gender but rather the candidate’s skill set, competencies, experience and knowledge in areas identified by the Board. This practice is also is extended and applied at Senior Management level.- The Nominating Committee is responsible, amongst others, to review the Board composition and make recommendations to the Board for appointment of new directors, if any, by evaluating and assessing the suitability of candidate for the Board. Factors to be taken into consideration include the required mix of skills, knowledge, independence, expertise, experience and other requisite qualities. | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | | |
| Measure | : | The Nominating Committee will place gender diversity as one of the considerations for new appointment to the Board, whenever a vacancy arises. | |
| Timeframe | : | Others | 4 years |

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.

| | | |
|--|---|---|
| <i>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.</i> | | |
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <ul style="list-style-type: none">- For the year under review, the Board did not engage an independent expert to facilitate the Board's evaluation. |
| | : | <ul style="list-style-type: none">- Having said that, for the year under review, the Nominating Committee being the evaluation committee, undertook an annual evaluation of the Board, board committees and individual directors.- This evaluation exercise was facilitated by the Company Secretary.- The evaluation includes the review and evaluation of the performance of the Board as a whole, of individual board member and also peer assessment through the completion of questionnaires on a confidential basis. The Board and Board Committees were assessed as a whole, while Directors were assessed individually. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | The Board intends to engage independent experts to facilitate the evaluation process. |
| Timeframe | : | Within 3 years |

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 | : | <ul style="list-style-type: none">- The objective of the Group's remuneration policy is to attract and retain directors and senior management required to lead and manage the Group effectively. The remuneration package is linked to individual and corporate performance.- For non-executive directors, the level of remuneration reflects their experience and level of responsibilities.- The remuneration policy for Directors is reviewed by the Remuneration Committee annually and is published on Kossan's website: www.kossan.com.my as well as in its internal portal. |
| 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 | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- The Remuneration Committee ("RC") consists of a majority of independent non-executive directors.- The RC evaluates the remuneration package of senior management executives and executive board members and recommends their packages for the Board's approval.- Non-executive directors' fees are determined by the Board as a whole, and the concerned director abstaining from deliberation and voting on decision in respect of his fee.- The terms of reference of the RC is published on Kossan's website: www.kossan.com.my as well as in its internal portal. |
| 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

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 | : | The Directors' remuneration on a named basis is shown 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 | Mohamed Shafeii Bin Abdul Gaffoor | Independent Director | 170,000 | - | - | - | - | - | 170,000 | 170,000 | - | - | - | - | - | 170,000 |
| 2 | Lee Choo Hock | Independent Director | 165,000 | - | - | - | - | - | 165,000 | 165,000 | - | - | - | - | - | 165,000 |
| 3 | Hoh Kim Hyan | Independent Director | 160,000 | - | - | - | - | - | 160,000 | 160,000 | - | - | - | - | - | 160,000 |
| 4 | Tan Sri Dato' Lim Kuang Sia | Executive Director | - | - | 2,784,000 | 5,568,000 | 28,000 | 1,586,880 | 9,966,880 | - | - | 2,784,000 | 5,568,000 | 28,000 | 1,586,880 | 9,966,880 |
| 5 | Lim Leng Bung | Executive Director | - | - | 840,000 | 1,260,000 | 15,500 | 399,000 | 2,514,500 | - | - | 840,000 | 1,260,000 | 15,500 | 399,000 | 2,514,500 |
| 6 | Tan Kong Chang | Executive Director | - | - | 840,000 | 1,680,000 | 28,000 | 478,800 | 3,026,800 | - | - | 840,000 | 1,680,000 | 28,000 | 478,800 | 3,026,800 |
| 7 | Lim Siau Tian | Executive Director | - | - | 840,000 | 1,680,000 | 15,500 | 478,800 | 3,014,300 | - | - | 840,000 | 1,680,000 | 15,500 | 478,800 | 3,014,300 |
| 8 | Lim Siau Hing | Executive Director | - | - | 342,000 | 504,000 | - | 160,740 | 1,006,740 | - | - | 702,000 | 1,044,000 | 26,600 | 331,740 | 2,104,340 |
| 9 | Lim Ooi Chow | Executive Director | - | - | 696,000 | 1,392,000 | 28,000 | 396,720 | 2,512,720 | - | - | 696,000 | 1,392,000 | 28,000 | 396,720 | 2,512,720 |

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 Company discloses the remuneration of the top 5 senior management in band width of RM50,000 but not on named basis due to confidentiality and sensitivity of each remuneration package: | |
| | | Range of Remuneration (Annual Basis) (RM) | Top Five (5) Senior Management Team |
| | | 300,001 to 350,000 | 1 |
| | | 350,001 to 400,000 | 1 |
| | | 700,001 to 750,000 | 2 |
| | | 1,200,001 to 1,250,000 | 1 |
| The Board is of the view that it is not to the Company’s advantage or business interest to show detailed remuneration disclosure in view of the highly competitive market for talents in this industry. | | | |
| The remunerations paid to the senior management commensurate with their skills, knowledge and performance. | | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | | |
| Measure | : | The Board will monitor the prevailing market practice for consideration in the future. | |
| Timeframe | : | Others | Will continue with current practice. |

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 | : | |

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 | : | Mr. Lee Choo Hock is the Chairman of the Audit Committee while En. Mohamed Shafeii Bin Abdul Gaffoor is 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 | : | <ul style="list-style-type: none">- The Audit Committee (“AC”) Terms of Reference provides that no former key audit partner shall be appointed as a member of the AC unless he/she has observed a cooling-off period of at least three (3) years before being appointed as a member of the AC.- None of the members of the AC were former key audit partners. | |
| 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 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 | : | <ul style="list-style-type: none">- The Audit Committee ("AC") 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.- The scope of the external auditor is reviewed by the AC during the meetings between the AC and the external auditors. During the meetings, the AC were briefed on the audit findings and observations during the audit process.- The AC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussion at the private meetings, which demonstrated their independence, objectivity and professionalism.- The AC was satisfied with the suitability of the external auditor based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied in its review that the provisions of non-audit services by the external auditor to the Company for financial year 2021 did not in any way impair their objectivity and independence as external auditors of the Company. The AC also received assurance from the external auditors on their independence. |
| 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 | : | Adopted |
| Explanation on adoption of the practice | : | All members of the Audit Committee are independent non-executive directors. |

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 | : | <ul style="list-style-type: none">- The members of the AC have the relevant accounting or related expertise to effectively discharge their duties.- The qualifications and experience of each AC member are disclosed in the Board of Directors’ profile page in the Annual Report 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

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 | : | <ul style="list-style-type: none">- The Board has always place great importance and emphasis on good internal control and effective risk management to safeguard the Group's assets and shareholders' investment.- The Board affirmed its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of the system.- The system of internal control covers governance, risk management, business strategies, operations, regulatory compliances and financial matters.- The system is designed to manage and minimise rather than eliminate risks. The system provides reasonable rather than absolute assurance against the occurrence of any misstatement, loss or fraud.- The Group has established and adopted the Risk Management Framework for managing risks affecting its businesses and operations.- The level of risk tolerance is expressed through the use of a risk impact and likelihood matrix. |
| 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 10.2

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 | : | <ul style="list-style-type: none">- The Board oversees the risk management function through the Risk Management Committee ("RMC"). The RMC reviews and recommends for the Board's consideration and approval the risk management principle, framework and policies for managing risks within the Group. The RMC also monitors and assesses the risk appetite and tolerance of the Group to safe guard the Group's assets and shareholders' investment.- The Group has in place a structured process for identification, assessment, monitoring and communication of risks and effectiveness of risk mitigation strategies at all level of operations.- Further details on the features of risk management and internal control are provided in the Statement on Risk Management and Internal Control disclosed in the Annual Report 2021. | |
| 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 | : | Adopted |
| Explanation on adoption of the practice | : | <ul style="list-style-type: none">- The Risk Management Committee ("RMC") is chaired by a senior independent non-executive director.- The RMC comprises a majority of independent directors to oversee the Company's risk management framework and policies. |

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 | : | <ul style="list-style-type: none">- The Board has established an inhouse internal audit ("IA") function which reports directly to the Audit Committee ("AC").- The Head of IA reports to the AC on the assessment and adequacy of the Group's control processes.- The IA function undertakes an independent assessment on the internal control system of the Group and provides assurance to the AC that no material issue or major deficiency has been noted which could pose a high risk to the overall system of internal control.- The AC reviews the appointment and removal of the head of IA, the adequacy of the IA's scope, competency, experience and sufficiency of resources.- The IA assignments were carried out in accordance with the 2021 audit plan approved by the AC. | |
| 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 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 | : | <ul style="list-style-type: none">- All the Internal Audit (“IA”) personnel had confirmed that they are free from any relationships or conflict of interest.- The IA function has four (4) employees headed by Mr. Ong Chiang Long. He is an associate member of the Institute of Internal Auditors Malaysia (“IIAM”). The Audit Committee (“AC”) is satisfied with the competency, experience and resource of the IA function.- The IA reports functionally to the AC.- The roles and responsibilities of the IA is guided by the Internal Audit Charter and Internal Audit Framework in reference to Institute of Internal Auditors International Professional Practices Framework. |
| 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 | : | <ul style="list-style-type: none">- Kossan is committed to engage and communicate with its stakeholders to facilitate mutual understanding and trust between the company and its stakeholders by providing information that are consistent, accurate, transparent and timely.- Kossan has established an Investor Relations ("IR") Framework that governs the IR function to communicate with stakeholders and in full compliance with the disclosure requirements.- The annual reports, quarterly results and any announcement on material corporate exercise are the primary mode of dissemination of information on the Group's business and financial performance.- The Group Managing Director/Chief Executive Officer is the designated spokesperson for all matters related to the Group.- The Group maintains a website at www.kossan.com.my for shareholders and the general public to access information on, amongst other, the Group's background, products and financial performance.- The stakeholders are encouraged to channel their concerns to the IR officer whose details are in the Corporate Information page of the Annual Report 2021. |
| 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 12.2

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 has yet to adopt full integrated reporting. | |
| | | - Nevertheless, certain elements of the integrated reporting could be found in the Annual Report 2021: - (1) 5 years Group Financial Information (2) Sustainability Statement | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Ongoing planning with progressive move to adopt integrated reporting. | |
| Timeframe | : | Within 3 years | |

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 | : | <ul style="list-style-type: none">- Kossan dispatches the notice of its Annual General Meeting (“AGM”) to its shareholders at least 28 days before the AGM, longer than the time frame of 21 days under the Companies Act 2016 and the Main Market Listing Requirements.- The additional time given will enable the shareholders to make the necessary arrangement to participate in the AGM whether in person or through proxies, corporate representatives or attorneys. The notes on the notice of AGM also provide detailed information on the resolutions proposed to enable shareholders to make informed decisions in exercising their voting rights. | |
| 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 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 | : | <ul style="list-style-type: none">- At the fully virtual 41st Annual General Meeting (“AGM”), all the directors were presented at the broadcast venue. Besides them, the external auditors and senior management were also in attendance remotely to respond to any queries.- The Group Managing Director/Chief Executive Officer briefed the meeting on the performance of the Group and shareholders were invited to raise questions in real time via typing of text in the meeting platform.- The Company had appointed KPMG Management & Risk Consulting Sdn Bhd as the moderator to provide objectivity and transparency in streaming the questions raised by the shareholders.- The Board provided adequate responses to shareholders’ questions. | |
| 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 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 | : | <ul style="list-style-type: none">- The Company had leveraged on technology by conducting the Company's 41st AGM on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities.- Shareholders can register for remote participation via Boardroom Smart Investor Portal to join the live streaming of the AGM proceedings and pose questions to the Chair (Remote Participation), and cast their votes online (Remote Voting).- The administrative details for the AGM with detailed registration and voting procedures were distributed to shareholders and published on the Company's website.- The Company had appointed Boardroom Share Registrars Sdn Bhd ("Boardroom") as poll administrator to conduct the polling process on all resolutions tabled at the AGM and Sky Corporate Services Sdn Bhd as scrutineers to verify the poll results. The result for each resolution was shown at the end of voting of each resolution before moving on to the next resolution.- The outcome of the poll was announced by the Company via Bursa Link and also published in the Company's website on the same day for the benefit of all shareholders.- The Company had sought confirmation from Boardroom on their cyber hygiene practices to ensure data privacy and security to prevent cyber threats. In this respect, Boardroom confirmed that its LumiAGM application's ("Lumi") system and suppliers' services are certified to the ISO/IEC 27001:2013 international standard. This provides a robust, auditable and externally verified framework of controls designed to maintain the confidentiality, integrity and availability of customers' information and personal data.- Lumi platform is regularly and extensively penetration tested using independent, accredited third-party experts. Lumi is hosted on a secure cloud platform. Lumi uses strong, industry best-practice encryption techniques to ensure customer data is protected from unauthorized access with data encrypted and audit trail is in place. |

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| 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 | : | <ul style="list-style-type: none">- During the 41st Annual General Meeting, the Chairman, En. Mohamed Shafeii Bin Abdul Gaffoor, briefed the meeting of their right to ask question and vote on the resolutions set out in the Notice of the 41st AGM.- The Senior Group Accountant presented the financial highlights for the last financial year. The presentation included the Group's revenue, profit attributable to equity shareholders, net assets per share, dividend per share and total dividend payments.- All Board members and senior management were present, either at the Broadcast venue or remotely, to address questions raised by shareholders, financial and/or non-financial related to the agenda items for the 41st AGM, via typing of text in the meeting platform.- The responses to the related questions raised by shareholders during and after the AGM were published in Kossan's website: www.kossan.com.my.- Whilst the AGM is one of the platforms where shareholders may raise concerns and seek responses, all shareholders may contact the IR officer whose details are in the Corporate Information page of the Annual Report 2021. |
| 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.

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.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <ul style="list-style-type: none">- During the 41st Annual General Meeting ("AGM"), the Company had engaged Boardroom Share Registrars Sdn. Bhd. ("Boardroom") to provide adequate audio and visual support services to broadcast the proceedings of the 41st AGM virtually. It was live streamed through https://web.lumiagm.com/ ("LumiAGM").- The poll administrator had verified the eligibility of shareholders/corporate representatives/proxies to attend the 41st AGM based on the General Meeting Record of Depositors as at 20 May 2021 and upon the cut-off date and time for proxy form submission. LumiAGM is secured and exclusively for the members with approved registration for the Remote Participation and Voting ("RPV") at the 41st AGM.- Shareholders were invited to raise questions in real time via type text in LumiAGM platform during the AGM.- LumiAGM dashboard assisted the moderators to view live questions posted by shareholders during the AGM and subsequently transmitted to the Company for action and response during the AGM.- In addition to that, to ensure effective communication with the shareholders at a virtual general meeting, questions posed by the shareholders were displayed on the screen to all meeting participants during the meeting itself. |
| 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.

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|--|---|--|
| <i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i> | | |
| Application | : | Applied |
| Explanation on application of the practice | : | The minutes of the Annual General Meeting ("AGM") was published on Kossan's website: www.kossan.com.my , on 1 July 2021, which is less than 30 business days after 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 | : | |

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

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

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