

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5665
COMPANY NAME : Southern Steel Berhad (“the Company”)
FINANCIAL YEAR : June 30, 2023

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 of Directors ("Board") assumes responsibility for effective stewardship and control of the Company and has established terms of reference ("TOR") to assist in the discharge of this responsibility.</p> <p>In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter and published on the Company's website at www.southsteel.com ("Website"). The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and broad strategies, overseeing and evaluating the conduct of the Group's businesses, identifying principal risks and ensuring the implementation of appropriate systems to manage those risks, and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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 is a Non-Executive Director. He leads the Board and ensures its smooth and effective functioning and has specific responsibilities as set out in the Board Charter as published on the Company's Website. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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 | : | There is a clear division of responsibilities between the Chairman of the Board and the Group Managing Director ("GMD"). This division of responsibilities between the Chairman and the GMD ensures an appropriate balance of roles, responsibilities and accountability. | |
| 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 1.4

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 : | Applied |
| Explanation on application of the practice : | The Chairman of the Board is not a member of any of the Board Committees. |
| 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 1.5

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 | : | The Board is supported by Company Secretaries who are qualified to act under Section 235 of the Companies Act 2016. They are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators and hold practicing certificates issued by Companies Commission of Malaysia ("CCM"). The Company Secretaries attend programmes and seminars to keep themselves abreast with, inter alia, regulatory requirements, company law and corporate governance ("CG"). |
| 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 1.6

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 | : | Prior to Board and Board Committee meetings, Directors are provided with minutes of previous meeting(s). The agenda together with meeting reports and reference materials are disseminated electronically via Board PAC, an iPad-based solution which stores meeting documents digitally in a secured manner. | |
| 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

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 | : | The key roles and responsibilities of the Board are set out in the Board Charter and published on the Company's Website. The Board reviewed and adopted a revised Board Charter in August 2022. | |
| 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 | <p>The Board observes and adopts the Code of Ethics for Company Directors established by CCM ("Director Code").</p> <p>The Group is committed to good business ethics and integrity as set out in the Hong Leong Manufacturing Group Code of Conduct and Ethics ("HLMG Code"). To this, the Group commits to a high standard of professionalism and ethics in the conduct of business and professional activities.</p> <p>The HLMG Code serves as guiding principles in the day-to-day activities of the Group and reminds employees to maintain at all times the highest standards of conduct and to always demonstrate professional and personal integrity in the conduct of business activities and in dealings with stakeholders, customers, colleagues and regulators.</p> <p>The HLMG Code is applicable to:</p> <ul style="list-style-type: none">• all employees who work in the Group across the jurisdictions in which the Group operates – including but not limited to permanent, part-time and temporary employees; and• any other persons permitted to perform duties or functions within the Group – including but not limited to vendors, service providers, contractors, secondees, interns, industrial attachment and agency staff. <p>As the HLMG Code forms part of the terms and conditions of employment, employees are required to adhere to a high standard of professionalism and ethics in the conduct of their business and professional activities.</p> <p>With the adoption of ISO 37001:2016 as the Group's Anti-Bribery and Corruption Management System, the Board has approved an Anti-Bribery and Corruption Policy ("ABC Policy") which is part of the Group's commitment to conducting business ethically in compliance with the Malaysian Anti-Corruption Commission Act 2009 and all applicable anti-bribery and corruption laws of every</p> |

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| | <p>country in which the Group operates. All employees, Directors (executive and non-executive) and any person who performs services for and on behalf of the Group, which includes contractors, subcontractors, consultants, suppliers, agents, intermediaries and representatives of the Group are required to adhere to the ABC Policy.</p> <p>Pursuant to the Hong Leong Manufacturing Group Self-Declaration Policy, all employees are required to submit an annual declaration on their compliance with the HLMG Code and the ABC Policy. New employees are required to make the self-declaration upon joining.</p> <p>The Director Code, HLMG Code and ABC Policy are available on the Company's Website.</p> | |
| Explanation for departure | | |
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| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | | |
| Timeframe | | |

Intended Outcome

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 | : | The Company has a Whistleblowing Policy, and it provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. The Whistleblowing Policy is published on the Company's Website. | |
| 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 | : | <p>The Group had in place various initiatives and efforts to address sustainability risks and opportunities in an integrated and strategic manner to support the Group long-term strategy and success.</p> <p>Sustainability Steering Committee (“SSC”) was established since 2017 to integrate sustainability considerations in day-to-day operations and ensure effective implementation of sustainability strategies and plans.</p> <p>The SSC, chaired by the GMD, assists the Board in fulfilling its oversight responsibility for governance of sustainability (including setting the Company’s sustainability policies, strategies, priorities and targets) and monitor environmental, social and governance (“ESG”) strategy targets, measures and performance. The GMD provides updates to the Board on a quarterly basis.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.2

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Group believes that meaningful partnerships with businesses, society and governments can enable collective actions and develop opportunities to achieve a healthier planet, and a more inclusive and sustainable economy.</p> <p>The Group engages with its internal and external stakeholders through a variety of means. The feedback and insights from the stakeholders are vital to the Group and are integrated into the Group’s business strategy and sustainability approach.</p> <p>Further details can be obtained from the Sustainability Statement in the 2023 Annual Report of the Company.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.3

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Board receives reports regularly and provides oversight on sustainability issues which are relevant to the Group and put in place appropriate sustainability strategy, priorities and targets to support the objectives of the Group. | |
| 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 | : | The assessment of the Board is conducted on yearly basis. The assessment of the Board has included the performance of the Board in addressing the Company’s material sustainability risks and opportunities. In addition, the Company has included in the assessment of the senior management (“SM”), among others, sustainability risks. | |
| 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 Board is supported by the SSC, which is chaired by the GMD and comprises representatives from key operating companies of the Group. |

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 | : | <p>The Nominating Committee (“NC”) conducts annual review of the composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies and balance of Independent Directors (“ID” or “IDs”).</p> <p>The NC also assesses the quality and integrity, competency and capability, time and commitment of Director who is subject to re-election at the annual general meeting (“AGM”) and upon satisfactory evaluation, recommends to the Board for shareholders’ approval.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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 | : | Applied | |
| Explanation on application of the practice | : | The Board currently comprises 6 Directors, 3 of whom are independent. | |
| 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 5.3

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.

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| Application | : | Not applicable - Step Up 5.4 adopted | |
| Explanation on application of the practice | : | | |
| 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 5.4 - Step Up

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

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| <i>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.</i> | |
| Application | : Adopted |
| Explanation on adoption of the practice | : The Company has in place an Independence of Directors Policy ("ID Policy") which sets out, among others, the tenure of ID of the Company shall not exceed a cumulative term of 9 years from the date of his/her first appointment in the Company. The ID may retire at the AGM immediately preceding the 9-year term, if a suitable replacement has been identified, or upon the expiry of the 9-year term. The tenure of all IDs on the Board does not exceed 9 years. |

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.

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| <p>Application</p> | <p>: Applied</p> |
| <p>Explanation on application of the practice</p> | <p>The nomination, assessment and approval process for new Board appointment is as follows:</p> <div style="text-align: center; border: 1px solid black; padding: 10px; margin: 10px 0;"> <pre> graph LR A[Identification of Candidates] --> B[NC Meeting with Candidates] B --> C[Assessment by NC • Assessment against Assessment Criteria • Declarations by Candidates • Independent background checks • If assessed to be suitable, recommendation by the NC to the Board] C --> D[Deliberation and decision by the Board] </pre> </div> <p>All candidates to the Board are assessed by the NC prior to their appointments, taking into account the assessment criteria, inter alia, the candidates' character and integrity, the strategic and effective fit of the candidates for the Board, the overall desired Board composition, including Board diversity and the required mix of skills, expertise, knowledge and experience in the industry, market and segment to enhance the Board's overall effectiveness and having regard to the candidates' attributes, qualifications, management, leadership, business experience, independence and time commitment, before they are recommended to the Board for approval. The Company maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with Director databases in its search for suitable Board candidates. The Board has in place a Fit and Proper Policy which sets out the fit and proper criteria to address Board quality and integrity to aid the Company in complying with Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"] for the appointment and re-election of Directors on the Board.</p> |

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| | <p>In evaluating any new appointment of SM, the Company is guided by the Hong Leong Group Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, and religion and/or whether or not one has disability. SM positions are awarded based on qualifications, experience and potential.</p> <p>Generally, in the assessment and selection of SM, the following factors will be considered in determining the role-profile fit:</p> <p>(a) skills, knowledge, expertise and industry experience; (b) past contribution and performance; and (c) character, professionalism and integrity.</p> <p>Each and every candidate for SM role has to go through a screening process where his/her competency and potential are assessed through a mix of interviews, aptitude test, competency and/or psychometric assessments in order to ensure the candidate has the right personal profile to be successful in the role.</p> <p>Pre-employment and Post-employment screenings are also performed to determine past performance track records, conduct, and behaviour of the selected candidate.</p> <p>For SM positions, final approval for hiring would be obtained from the President of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"), in addition to the review and approval of the respective Human Resource Hiring Manager and GMD to ensure hiring decisions are made objectively in the best interests of the Company, taking into account multiple perspectives and insights. Where required, Board's approval is also obtained for certain roles.</p> |
| Explanation for departure : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure : | |
| Timeframe : | |

Intended Outcome

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | In identifying suitable Board candidates, the Company maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with Director databases, including databases for women Directors. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 5.7

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Annual Report of the Company contains the profile of each Director and the disclosure includes the required information as prescribed by the MMLR. In addition, the explanatory notes of the Notice of the AGM provides the relevant information of the Director(s) who is/are standing for re-election and the statement of the Board on its recommendation to support the re-election of Director(s). | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 5.8

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman of the NC is an Independent Non-Executive Director. | |
| 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

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | There are 2 women Directors, representing 33.33% of women participation on Board. | |
| 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 5.10

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

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Company has in place a Board Diversity Policy. | |
| | | In evaluating any new appointment of SM, the Company is guided by the Hong Leong Group Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, and religion and/or whether or not one has disability. SM positions are awarded based on qualifications, experience and potential. | |
| <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 work towards formalising a policy for SM. | |
| Timeframe | : | Others | Assessment in 2024 |

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.

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| <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 | : Applied |
| Explanation on application of the practice | : A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, Board Committees as a whole and the contribution and performance of each individual Director, Board Committee member and Chief Financial Officer (“CFO”) on an annual basis (“Annual Board Assessment”). For newly appointed Chairman, Directors and CFO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of 1 year of service. Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Company, the core skills, competencies and experience of the Directors, and the Board’s integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees’ composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities per the Board Committees’ TOR and the contribution of Board Committee members. Each individual Director is assessed on, inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgment as well as contributions towards the development of business strategies and direction of the Company and analytical skills to the decision-making process are also taken into consideration. The NC will deliberate and present the results of the Annual Board Assessment to the Board. The results of the assessment form one of the criteria of the NC’s recommendation to the Board for the re-election of Directors at the AGM. |
| 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 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 | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them, industry benchmark as well as complexity of the Group's businesses.</p> <p>Hong Leong Manufacturing Group adopts Hong Leong Group's total compensation philosophy which promotes high performing culture, alignment of corporate values and vertical and horizontal equity. The rewards strategy focuses on providing a competitive remuneration and benefits package, as well as ample career progression opportunities for employees.</p> <p>The rewards framework focuses on a balanced and right pay mix to achieve the desired long-term business performance. The framework includes base pay, cash allowances, performance-based variable pay, long-term incentives, benefits and other employees' programmes.</p> <p>The rewards framework ensures that employees are paid competitively against the industry and talent market the company is operating in, delivered via a combination of cash and non-cash elements such as shares or share-linked instruments.</p> <p>Key performance indicators and key results areas ("KRA") of employees are measured and tracked diligently to ensure strong alignment of employee output to the overall business strategy and direction of the company.</p> |

| | |
|---|--|
| | <p><u>Remuneration Process</u></p> <p>Another critical part of the remuneration delivery process is the review and approving structure. Each year, the variable remuneration pool is reviewed and approved by the management of Hong Leong Manufacturing Group. The pool will be allocated to the business units and functions corresponding to their respective performance.</p> <p>Remuneration of each individual is then formulated based on the Strategic Business Group's performance, the operating company's performance, the department's performance and the individual's contribution.</p> <p>Remuneration of the GMD and key SM will also be tabled to the Board for consideration and approval.</p> <p><u>Remuneration Structure</u></p> <p>GMD and SM</p> <p>The remuneration structure for the GMD and SM varies in accordance with the job grades and the operational/functional responsibilities and is weighted towards performance related elements that take into account individual, functional and corporate performance.</p> <p>The components of the remuneration include the following:</p> <p>(a) Fixed remuneration</p> <p>The fixed remuneration includes the following:</p> <ul style="list-style-type: none"> (i) basic salary (including the statutory contribution to the Employees Provident Fund) which is based on duties, responsibilities and job grades; and (ii) others. <p>(b) Variable remuneration</p> <p>The variable remuneration of the GMD and SM depends on the performance of the Group for the relevant financial year ("FY"), which is determined based on the individual KRA and aligned to the Hong Leong Vision, guided by the Group Reward Handbook. It includes the following:</p> <ul style="list-style-type: none"> (i) cash based; (ii) share and share linked instruments; and (iii) others. |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | |
| <p>Measure</p> | <p>: The Board will work towards formalising its remuneration policy and procedures for Directors and SM.</p> |

| | | | |
|------------------|---|--------|--------------------|
| Timeframe | : | Others | Assessment in 2024 |
|------------------|---|--------|--------------------|

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 | : | The Board has a RC comprising all IDs. The RC's responsibilities include recommending to the Board a framework of remuneration of Executive Directors and SM. The TOR of the RC are published on the Company's Website. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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 | : | <p>The remuneration received/to be received by each of the Director for FY ended 30 June 2023 ("FY 2023") is set out in the table below.</p> <p>Note: During FY 2023, Directors and Officers of HLMG, together with its subsidiaries (the "Group", which includes Southern Steel Berhad and its subsidiaries and where applicable, associated companies) are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM63,481 and the apportioned amount of the said premium paid by the Company was RM14,933</p> |

| 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 | YBhg Datuk Kwek Leng San | Non-Executive Non-Independent Director | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | Mr Yeoh Choon Kwee | Executive Director | - | 144 | 990 | 476 | 48 | 1 | 1,659 | - | 144 | 990 | 476 | 48 | 1 | 1,659 |
| 3 | YBhg Dato' Dr Tan Tat Wai | Non-Executive Non-Independent Director | 85 | - | - | - | - | - | 85 | 85 | - | - | - | - | - | 85 |
| 4 | Dr Kwa Lay Keng (Retired with effect from 10 November 2022) | Independent Director | 51 | - | - | - | - | - | 51 | 51 | - | - | - | - | - | 51 |
| 5 | YBhg Dato' Ahmad Johari Bin Abdul Razak (Resigned with effect from 31.05.2023) | Independent Director | 119 | - | - | - | - | - | 119 | 119 | - | - | - | - | - | 119 |
| 6 | YBhg Dato' Tan Ang Meng | Independent Director | 140 | - | - | - | - | - | 140 | 140 | - | - | - | - | - | 140 |
| 7 | Ms Chin Siew Siew (Appointed with effect from Director on 01.07.2022) | Independent Director | 116 | - | - | - | - | - | 116 | 116 | - | - | - | - | - | 116 |
| 8 | YBhg Datuk Ir. Rosaline Ganendra (Appointed with effect from Director on 01.03.2023) | Independent Director | 31 | - | - | - | - | - | 31 | 31 | - | - | - | - | - | 31 |
| 9 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |

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 | : | <p>It is not in the interest of the Group to disclose detailed remuneration components of the top 5 SM in bands of RM50,000 on a named basis in view of confidentiality and security reasons. In addition, the Group is operating in a very competitive environment where talent retention is a challenge.</p> <p>The Company has disclosed the remuneration of the top 5 SM of the Group (who are not Directors or the GMD of the Company) from an alternative perspective which is intended to achieve a similar outcome by segregating into categories as disclosed below for FY 2023:</p> <table border="1" data-bbox="555 1272 1385 1630"> <thead> <tr> <th>Categories</th> <th>Remuneration (RM'000)</th> </tr> </thead> <tbody> <tr> <td>Salaries</td> <td>2,567</td> </tr> <tr> <td>Allowances</td> <td>158</td> </tr> <tr> <td>Bonuses</td> <td>564</td> </tr> <tr> <td>Benefits</td> <td>30</td> </tr> <tr> <td>Other emoluments</td> <td>487</td> </tr> <tr> <td>Total</td> <td>3,806</td> </tr> </tbody> </table> | | Categories | Remuneration (RM'000) | Salaries | 2,567 | Allowances | 158 | Bonuses | 564 | Benefits | 30 | Other emoluments | 487 | Total | 3,806 |
| Categories | Remuneration (RM'000) | | | | | | | | | | | | | | | | |
| Salaries | 2,567 | | | | | | | | | | | | | | | | |
| Allowances | 158 | | | | | | | | | | | | | | | | |
| Bonuses | 564 | | | | | | | | | | | | | | | | |
| Benefits | 30 | | | | | | | | | | | | | | | | |
| Other emoluments | 487 | | | | | | | | | | | | | | | | |
| Total | 3,806 | | | | | | | | | | | | | | | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | | | | | | | | | | | | | | | | |
| Measure | : | The Board will continuously assess the implications in respect of such disclosure for future consideration. | | | | | | | | | | | | | | | |
| Timeframe | : | Others | Assessment in 2024 | | | | | | | | | | | | | | |

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

Intended Outcome

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

Practice 8.3 - Step Up

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

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.1

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Board Audit & Risk Management Committee (“BARMC”) comprises 3 members who are IDs. The Chairman of the BARMC is not the Chairman of the Board. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.2

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The BARMC has observed Practice 9.2 and incorporated such policy into the Company's Board Audit & Risk Management Committee Charter.</p> <p>None of the present BARMC members are former audit partners in the last 3 years before their appointment as BARMC members.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.3

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The BARMC has adopted a process and procedure for assessment of new appointment or re-appointment of external auditors and the criteria used in such assessment.</p> <p>The BARMC has obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|-----------------------------------|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | All members of the BARMC are IDs. |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.5

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

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The members of the BARMC collectively possess the necessary skills and knowledge to discharge their duties and are financially literate. The profiles of the members are provided in the Annual Report. The Chairman of the BARMC is a Certified Public Accountant.</p> <p>The BARMC members had during FY 2023 attended various training programmes and seminars organised by relevant regulatory authorities and professional bodies to broaden their knowledge and to keep themselves abreast with the relevant developments in finance/tax, anti-bribery and corruption, CG, cybersecurity, ESG, risk management and laws and regulations.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 10.1

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board recognises its overall responsibility for the adequacy and effectiveness of the Group’s system of internal controls and risk management framework to safeguard shareholders’ investment and the Group’s assets.</p> <p>The Board exercises its oversight of risk management and internal control through the BARMC which meets on a quarterly basis and supported by an adequately resourced Group Internal Audit (“IA”) Department (“GIAD”).</p> <p>Management is accountable to the Board for the risk management and internal control system and for the implementation of processes to identify, evaluate, monitor and report risks and controls.</p> <p>The Board adopts MS ISO 31000:2010 as its risk management framework. The Group’s system of risk management and internal control are designed to meet the Group’s particular needs, to efficiently and effectively manage risks that may impede the achievement of the Group’s business objectives, and to provide information for accurate reporting and ensure compliances with regulatory and statutory requirements.</p> <p>Key business risks and risks exceeding tolerance levels would be escalated to the BARMC and if necessary, to the Board for deliberation.</p> <p>Further details can be obtained from the Statement on Risk Management and Internal Control in the 2023 Annual Report of the Company.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |

| | | | |
|------------------|---|--|--|
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 10.2

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

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has entrusted the BARMC to provide oversight of the Group's system of risk management and internal control. The BARMC is assisted by the GIAD in this role.</p> <p>The Board adopts MS ISO 31000:2010 as its risk management framework. The Group's system of risk management and internal control is designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group's business and corporate objectives within the risk appetite established by the Board and management. In addition, for bribery and corruption risks, the Group adopts ISO 37001:2016 (Anti-Bribery Management System) and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 to prevent, detect and respond to bribery and corruption risks. The Company and its core subsidiaries have been certified for ISO 37001:2016 (Anti-Bribery Management System) by SIRIM QAS International Sdn Bhd. These systems can therefore provide only reasonable and not absolute assurance against material misstatement, loss or fraud.</p> <p>On an ongoing basis, each operating company's Chief Executive and authorised risk owners have clear accountabilities to monitor its existing risks, identify emerging risks and update the enterprise-wide risk registers, maintain the adequacy, effectiveness and relevance of action plans and control systems to manage risks, and prepare risk management report on a quarterly basis for reporting to the BARMC.</p> <p>Key business risks and risks exceeding tolerance levels would be escalated to the BARMC and if necessary, to the Board for deliberation.</p> <p>Further details on the risk management and internal control systems are provided in the Statement on Risk Management & Internal Control in the 2023 Annual Report of the Company.</p> |
| Explanation for departure | : | |

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

Intended Outcome

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

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

Practice 10.3 - Step Up

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

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

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

Practice 11.1

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The IA function is carried out in-house by the GIAD of HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of HLMG. The provision of the IA services is part of the shared services of companies within the Hong Leong Manufacturing Group.</p> <p>The purpose, authority, scope, independence and responsibilities of IA function are provided in the Internal Audit Charter, which is approved by the BARMC.</p> <p>The GIAD, led by the Head of IA, reports to the BARMC which has the authority to decide, among others, the appointment and removal; scope of work; and performance evaluation of the IA function.</p> <p>During FY 2023, the BARMC had approved the GIAD's annual audit plan, reviewed and approved the internal audit scope based on the risk assessment conducted, as well as the GIAD's resource requirements. The GIAD had performed its approved audits as guided by the Internal Audit Charter.</p> <p>The GIAD challenges and adds value to the efficiency, effectiveness and economy of operating companies' operations, usage of assets and resources, and the integrity of management information systems. The IA function is performed with impartiality, proficiency and due professional care.</p> <p>IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the BARMC, and the implementation status of audit recommendations are monitored and reported to the BARMC on a quarterly basis.</p> <p>Further information can be obtained from the Board Audit & Risk Management Committee Report in the 2023 Annual Report of the Company.</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 11.2

The board should disclose–

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

| | |
|---|--|
| Application | : Applied |
| Explanation on application of the practice | <p>a) Independence and Objectivity</p> <p>It is a requirement stated in the Internal Audit Charter that all IA personnel have no operational responsibility and authority over the activities of its audits in order to maintain its independence and objectivity. In addition, all the IA personnel had declared to the BARMC that they are free from any relationships or conflicts of interest which would impair their impartiality or objectivity.</p> <p>The GIAD is guided by its Internal Audit Charter which defines the organisational status, accountability, independence and objectivity, responsibilities, the professional proficiency and ethics.</p> <p>The BARMC is responsible for deciding on the appointment, transfer and dismissal of the Head of IA, and to provide oversight on the adequacy of resources.</p> <p>b) IA Resources</p> <p>There were 11 staff in the GIAD as at 30 June 2023. As for continuous professional development, the IA personnel had kept abreast with developments in the profession, industry and regulations by attending internal and external training courses.</p> <p>c) Head of IA</p> <p>The Head of IA is Dr Teh Boon Ang. He is a Professional Member of the Institute of Internal Auditors (“IIA”) Malaysia and holds the qualifications of Doctorate of Business Administration, Master of Criminal Justice, Certified Internal Auditor and Certified Fraud Examiner.</p> |

| | | |
|---|---|--|
| | <p>d) IA Framework</p> <p>The GIAD is guided by the International Standards for the Professional Practices Framework issued by the IIA Malaysia and applies appropriate auditing standards in assessing the integrity and effectiveness of internal controls and compliance with the established policies and procedures and is committed to continuously monitoring and improving the IA function.</p> <p>Further information can be obtained from the Board Audit & Risk Management Committee Report in the 2023 Annual Report of the Company.</p> | |
| <p>Explanation for departure</p> | : | |
| | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | : | |
| <p>Timeframe</p> | : | |

Intended Outcome

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 | : | The Board acknowledges the importance of regular and effective communication with shareholders and investors. The annual reports, circulars to shareholders, quarterly financial reports and the various announcements made through Bursa Securities' website during FY 2023, enable shareholders and investors to have an overview of the Group's performance and operation. Additionally, the Company uses its Website to provide easy access of relevant information to its shareholders. The AGM provides an opportunity to shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to attend and vote on all resolutions. Directors, CFO, SM and the external auditors are also available to respond to shareholders' queries during the AGM. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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 | : | Not applicable – Not a Large Company | |
| Explanation on application of the practice | : | | |
| 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 13.1

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Company despatches its notice of AGM to shareholders at least 28 days before the AGM to enable them to consider the resolutions and make an informed decision in exercising their voting rights at the AGM. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 13.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>All Directors are committed to attend general meetings of the Company, which are scheduled in advance, save for unforeseeable circumstances.</p> <p>The Chairs of Board Committees are aware of their respective scope of responsibilities and will respond to questions addressed to them at general meetings.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 13.3

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 | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board recognises the importance of leveraging technology to facilitate remote shareholders' participation at general meeting and voting in absentia. After due consideration, the Board is of the view that physical general meetings support more meaningful engagement and interaction between Directors, CFO, SM and shareholders. According to the Record of Depositors as at 30 June 2023, the Company does not have a large number of shareholders, and all general meetings of the Company are held in accessible locations within Prai, Penang. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Shareholders who are unable to attend general meetings of the Company may, in accordance with the Constitution of the Company, appoint their respective proxies or the Chairman of the meeting to vote on their behalf. The Company will continuously enhance the content of the annual report to improve our communication to our stakeholders. | |
| Timeframe | : | Others | Assessment in 2024 |

Intended Outcome

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

Practice 13.4

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

| | |
|--|---|
| <i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i> | |
| Application | : Applied |
| Explanation on application of the practice | : All Directors of the Company attended the AGM physically to engage with shareholders and address issues of concern raised by the shareholders. Directors, CFO, SM and the external auditors are also available to respond to shareholders' queries during the AGM. During the AGM, questions from shareholders were addressed accordingly during the Question & Answer session at the AGM. Minutes of AGM and a summary of the key pertinent matters discussed at the AGM are also published on the Company's Website. |
| Explanation for departure | : |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : |
| Timeframe | : |

Intended Outcome

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

Practice 13.5

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

| | |
|--|--|
| <i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i> | |
| Application : | Not applicable – only physical general meetings were conducted in the financial year |
| Explanation on application of the practice : | |
| Explanation for departure : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure : | |
| Timeframe : | |

Intended Outcome

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

Practice 13.6

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

| | | |
|--|---|--|
| <i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i> | | |
| Application | : | Applied |
| Explanation on application of the practice | : | The minutes of the AGM have been made available to the shareholders no later than 30 business days after the AGM on the Company's Website. |
| Explanation for departure | : | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

**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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