

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5163
COMPANY NAME : SEREMBAN ENGINEERING BERHAD
FINANCIAL YEAR : 30 JUNE 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 Group is led by an experienced diversified and yet sleek Board which comprises professionals from various fields to bring together a balance of skills, mix of experience and expertise in area relevant to enhance the growth of Group's business. The Directors collectively bring to bear their wide and varied technical, financial, corporate, and engineering experience to enable the Board to lead and control the Group effectively.</p> <p>Roles and Responsibilities</p> <p>The Board's function, amongst others, is to guide the Group on its short and long-term goals, providing advice, stewardship and directions on the management and business of the Group.</p> <p>The Board's principal responsibilities include the following:</p> <ul style="list-style-type: none">• reviewing and adopting a strategic plan for the Group;• overseeing the conduct of the Group's businesses;• identifying principal risks and ensuring the implementation of appropriate internal control systems and risk management policies and procedures to manage these risks;• establishing succession plan, including appointing, training, replacing directors and key senior management;• overseeing the development and implementation of shareholder communication policy of the Group;• reviewing the adequacy and the integrity of the Group's internal control systems, risk management framework and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;• monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;• ensuring that the Company's financial statements are true |

- and fair and conform with the accounting standards; and
- ensuring that the Company adheres to high standards of ethics and corporate behaviour.

On a more routine level, the Board also sets the annual business targets and budgets for the coming year based on recommendation from Management. The resources required by Management to meet their targets are considered and approved by the Board at the same time it considers and sets targets for the coming year.

In terms of oversight, the Board also sets clear, pre-defined Financial Authority Limits on Management to ensure major decisions, specifically with respect to investments or capital expenditures, are only undertaken after careful consideration by the Board and its various Board Committees, where appropriate. In essence, decisions affecting key business considerations or where they involve a value higher than what has been approved for Management, are all reserved for the Board.

To enable the Board to discharge its role and functions effectively, the Board has established the following committees:

- Audit Committee (“AC”);
- Nomination Committee (“NC”); and
- Remuneration Committee (“RC”).

The above roles and responsibilities have been formalised in the Board Charter and Terms of Reference (“ToR”) which are uploaded on the Company’s website at www.seb.net.my.

Code of Conduct

The Board has formalised a Code of Conduct which reflects the Group’s vision and core values of integrity, respect and trust. The core areas concerned include the following:

- compliance with laws;
- fair dealing;
- confidentiality and protection of company assets;
- conflict of interest;
- know your customer and proper documentation; and
- occupational, health, safety and environment.

The Code of Conduct governs the conduct of the Directors and all employees of the Group and provides guidance on the communication process and the duty to report whenever there are breaches of the same. This Code of Conduct is reviewed and updated from time to time by the Board to ensure that it continues to remain relevant and appropriate.

Anti-Bribery and Corruption Policy (“ABC Policy”)

In response to the latest Malaysian regulatory development pertaining to anti-corruption, the Company established a stand-alone ABC Policy that is applicable to the Directors and employees of the Group. The ABC Policy was adopted on 24 August 2020.

Whistle-blowing Policy and Procedures

To maintain the highest standards of ethical conduct, the Group has a formal Whistle-blowing Policy and Procedures. As prescribed in this policy, the Board gives its assurance that employees’ and third parties’ identities will be kept confidential and whistle-blowers will not be at risk to any form of victimisation or retaliation from their superiors or any member of Executive Management provided that the reporting is in good faith.

All concerns raised will be investigated and whistle-blowers can report through telephone or via e-mail to the Chief Executive Officer (“CEO”). If this is considered inappropriate, reports can be made to the AC Chairperson.

Directors’ Fit and Proper Policy

The Board established and adopted a Directors’ Fit and Proper Policy in June 2022 to ensure that the Board’s quality and integrity is maintained and up to expectations. It also serves as guidance for the appointment, re-election of Directors to carry out their responsibilities with full competence, character, diligence, integrity and judgement.

The main objective of this policy is to ensure that the Group is led by persons of integrity, credibility and competency as well as to enable the discharge of the responsibilities required of the position in the most effective manner. The Company’s Directors’ Fit and Proper Policy is available on the Company’s website.

The Code of Conduct, ABC Policy, Whistle-blowing Policy and Procedures and Directors’ Fit and Proper Policy can be viewed on the Company’s website.

Sustainability

The responsibility to promote and embed sustainability in the Group lies with the Board and in this respect, it strives to achieve continuing growth and profitability in a safe, caring and sustainable environment.

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| | <p>The Group’s Sustainability Statement is set out on pages 4 to 16 of the Annual Report 2023.</p> <p>Succession Plan</p> <p>The Group recognises that effective succession planning is integral to the delivery of its strategic plans. It is essential to ensure a continuous level of quality in Executive Management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity. There is a succession plan for Key Senior Management put in place and regular review will be carried out as an essential part of the Group business continuity and long-term success.</p> <p>Access to Information and Advice</p> <p>All Directors have unrestricted access to Executive Management and the service and advice of the Company Secretary and the internal and external auditors (via the AC) and they as a whole or individually may also seek independent professional advice if necessary, at the Group’s expense to enable them to discharge their duties and responsibilities.</p> <p>Non-Executive members of the Board are kept updated on the Group’s activities and operations by the CEO on a regular basis and all Directors have the right of access to all reports on the Group’s activities, both financial and operational.</p> <p>The Directors also received updates from time to time on relevant new laws and regulations.</p> | |
| <p>Explanation for departure</p> | <p>:</p> | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | <p>:</p> | |
| <p>Timeframe</p> | <p>:</p> | |

Intended Outcome

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

Practice 1.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman, Dato' Ir. Mohtar Bin Musri is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner. In fulfilling this role, the Chairman:</p> <ul style="list-style-type: none">• provides leadership to the Board to ensure its effectiveness without limiting the principle of collective responsibility for Board decisions;• ensures that the Directors receive complete, adequate and timely information;• ensures effective communications with shareholders;• facilitates effective contribution by Non-Executive Directors;• sets the agenda for Board meetings, in conjunction with the Chief Executive Officer and ensures that adequate time is available for discussion of all items on the agenda;• promotes high standards of corporate governance; and• promotes a culture of openness and debate during Board meetings. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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 | : | The Chairman is Dato' Ir. Mohtar Bin Musri while the Chief Executive Officer ("CEO") is Mr. Wong Wai Hung. The roles of the Chairman and CEO are strictly separated to ensure balance of power and authority and to maintain effective supervision and accountability of the Board and Executive Management. | |
| 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 | : | | |
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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 1.4

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 : | The Chairman of the Board is a member of AC, NC and RC. Whenever issues relating to the Chairman's performance or remuneration are discussed, the Chairman will excuse himself from the meetings to ensure the Committee members are able to discuss the issues freely in the best interest of the Company. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure : | |
| 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 | : | <p>The Board has the service and advice of Company Secretary. The current Company Secretary, Ms. Pang Kah Man is a member of the Malaysian Institute of Accountants who is qualified to act as Company Secretary under the Companies Act 2016 with a valid practising certificate approved by the Companies Commission of Malaysia. She has more than 21 years of corporate secretarial experience and is supported by appropriately qualified secretarial staff to ensure she is able to discharge her duties effectively and efficiently. Her tasks include, but are not limited to the following:</p> <ul style="list-style-type: none">• manage all Board and Board committees' logistics, attend and record minutes of all Board's and Board committees' meetings and facilitate Board communications;• advise the Board on its key roles and responsibilities;• ensure adherence to Board's and Board committees' policies and procedures;• facilitate the orientation of new Directors and assist in Directors' training and development;• advise the Board on corporate governance disclosures and compliance with company and securities regulations and the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities Malaysia Berhad ("Bursa Malaysia");• ensure timely communication of Board's and Board committees' decisions to Executive Management for action;• manage processes pertaining to general meetings;• monitor corporate governance developments and assist the Board in applying governance practices to meet Board's needs and stakeholders' expectations;• notify the Board Chairman of any possible violations of regulatory requirements; and• serve as a focal point for stakeholders' communications and engagement on corporate governance issues. |
| Explanation for departure | : | |
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Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

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| Measure : | | |
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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 1.6

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 | : | <p>To facilitate the Directors' time planning, a pre-scheduled annual calendar of Board meetings is circulated and confirmed by the Board prior to the commencement of each financial year, to provide ample time for the Directors to plan their attendance.</p> <p>The notices of meetings and agenda are sent to the Directors electronically at least one week in advance and Board meeting papers are sent to the Directors electronically at least three days prior to Board meetings. This enables the Directors to prior peruse the matters to be deliberated upon. Hard copies of the Board meeting papers and if necessary, further information are provided at the meeting for deliberation and informed decision making.</p> <p>The Board meeting papers include, among others, the following documents or information:</p> <ul style="list-style-type: none">• reports of meetings of all committees of the Board including matters requiring the Board's deliberation, approval and notation• performance reports of the Group, which include information on financial, strategic business issues and updates• major operational, financial, legal, regulatory and corporate issues• board papers for other matters for discussion or approval <p>All deliberations, discussions and decisions of the Board meetings were minuted and recorded accordingly. All proceedings of Board meetings were signed by either the Chairman, Chairperson of the meeting concerned or the Chairperson of the next meeting pursuant to the Company's Constitution.</p> <p>The final minutes of the prior meetings are always circulated beforehand together with the notice of meeting, prior to the Board/Board Committee meetings.</p> |
| 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 | : | |
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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 Board has formally adopted a Board Charter that sets out the respective roles and responsibilities of the Board, Board committees and Executive Management and the standard of conduct expected of individual Directors. The Board Charter is reviewed periodically or as and when changes occur to ensure that it reflects the current needs of the Group. More information on the Board Charter can be found 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

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 | : | In order to enhance the professionalism and integrity of our directors and employees, a formal Code of Conduct has been put in place. Explanation on the application can be found in Practice 1.1 herein. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 3.2

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | A Whistle-blowing Policy and Procedures has been put in place by the Group to provide an avenue for employees to raise their concerns. Explanation on the application can be found in Practice 1.1 herein. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.1

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

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board of Directors ("Board") has the ultimate responsibility in overseeing the Group's sustainability strategies and performance. They are supported by Chief Executive Officer ("CEO") and general managers as "Working Committee" to oversees all sustainability efforts, activities and initiatives, as well as setting and monitoring sustainability objectives, targets and initiative.</p> <p>Sustainability is embedded in our organisation and is led from the top. The Board plays a vital guidance and oversight role in advancing sustainability agenda across the Group with Senior Management oversees the implementation of the Group's sustainability policies, activities and processes and ensures that key targets are met.</p> <p>The Group engages with internal and external stakeholders actively as part of the sustainability process. Key stakeholders' needs, impact to the Group's business operations, and their expectations were identified and discussed with CEO and general managers of the Group.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.2

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Company has taken steps in addressing its sustainability risk and where possible, identify opportunities. This is reflected in the Sustainability Statement. However, this is an on-going exercise and Management will continuously reassess its sustainability risk and opportunities based on changing marketplace and regulatory environment.</p> <p>With respect to performance indicators and targets, where material, they are disclosed in the Sustainability Statement and subject to continuous assessment by Management from time to time.</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 | : | <p>The Board attended in various type of trainings from conferences to specific in-house trainings during the financial year under review. Moving forward, the Board will participate in various programmes and awareness initiatives as to ensure that they keep abreast with and understand the latest development and issues relating to sustainability (including general sustainability topics and climate change).</p> <p>The Group had prioritized and focused on sustainability journey in business operations and areas relevant to them following the emergence of COVID-19 crisis in 2020/2021 that elevated sustainability importance and increased scrutiny on how it manages and responds to the immediate impact of the crisis. The materiality assessment in financial year ended 30 June 2023 reflects the changes to the business and the external environment.</p> <p>The material issues that shape the strategies and business decision making are not limited to the Company's financial performance alone but also Economic, Environmental and Social (EES) Impact. Through the review by the Senior Management, twelve (12) material aspects were identified as high importance and those disclosures were derived into a matrix. The materiality matrix showcases the material disclosures based on its unique influence on the stakeholders and EES impact to the Company. The materiality matrix was approved by the Board on 19 October 2023.</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> | | |
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Intended Outcome

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

Practice 4.4

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

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>The performance review of the Board and Management incorporates material sustainability matters such as targets on compliance to key laws, continuations of various certification on quality management and profitability/economic performance.</p> <p>For the 2023 annual Board Effectiveness Evaluation, questionnaires on sustainability related performance measures were not incorporated for the evaluation of the Board members.</p> <p>The Board had during its meeting held on 19 October 2023, discussed and resolved the Material Sustainability Key Performance Indicators (KPI).</p> <p>The Board will then enhance the performance evaluations of the Board and Senior Management, enabling them to be conducted in a more holistic manner by having a wider and more in-depth coverage. Reference will be made against the Corporate Governance Guide 4th Edition which sets out specimen questions the Company may adapt for the purpose of assessing the Board and Senior Management in relation to overseeing sustainability performance of the Group vis-à-vis Board-approved KPI. This process is expected to be finalised by the next annual Board assessment.</p> | |
| <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 | : | Applied |
| Explanation on adoption of the practice | : | Currently, the CEO has assumed the role as the key designated person with respect to integrating sustainability consideration into the operations of the Company. |

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 | : | The NC assesses the composition of the Board annually to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision making. | |
| 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 5.2

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 | : | <p>The Board is aware of the benefits of having at least half of the Board comprises Independent Non-Executive Directors (“INEDs”).</p> <p>The current Board comprised of six (6) members:</p> <ul style="list-style-type: none"> • two (2) Executive Directors, • two (2) Non-Independent Non-Executive Director (“NINED”) and • two (2) INEDs. <p>The Board composition is in compliance with Paragraph 15.02 of the Listing Requirements which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are INEDs.</p> <p>The Board will continue to identify suitable candidate(s) as additional Independent Director(s) to join the Board.</p> <p>Although less than half of the Board comprises Independent Directors, there are four (4) Non-Executive Directors who by virtue of their non-executive status, are not involved in the day-to-day management of the Group’s businesses. The Board is of the view that having a majority of Non-Executive Directors of the Board provides reasonably effective checks and balances within the Board and ensures the Executive Directors do not dominate the Board’s decision making.</p> | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| 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 | : | Applied |
| Explanation on application of the practice | : | <p>The Board has implemented a nine-year policy for Independent Directors, whereby it shall not exceed a cumulative term limit of nine years. However, an Independent Director may continue to serve on the Board beyond nine (9) years subject to his or her re-designation as a Non-Independent Director.</p> <p>In the event that said Director is to remain designated as an Independent Director, the Board shall, upon the recommendation by the NC justify and obtain shareholders' approval for the Director concerned to be retained as an Independent Director.</p> <p>If the Board continues to retain the Independent Director on or after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.</p> <p>As at date of this Report, none of the Independent Directors has been serving beyond nine (9) years.</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 5.4 - 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.

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| 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.

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| Application | : Applied |
| Explanation on application of the practice | <p>In assessing the suitability of any candidate for the directorship, the Board (via the NC) will take into consideration the candidate's reputation, educational background, skills, knowledge, expertise, competence and experience that is in line with the Group's business operations, age, time commitment, independence and integrity.</p> <p>Hence, the NC is responsible for the appointment of Directors and is delegated the role of screening and conducting an initial selection, which included an external search, before making any recommendation to the Board for approval.</p> <p>The criteria used in assessment of new Directors before appointment to the Board are as below but not limited to:</p> <ul style="list-style-type: none">• Skills and competency;• Knowledge and expertise;• Regional and industry experience;• Academic and professional qualifications;• Background, race, gender, age and nationality;• High personal and professional ethics, integrity and values;• Ability to devote the required amount of time to carry out the duties and responsibilities of Board membership;• Financial capability and business stability to devote significant time, energy and resources; and• Other directorship. <p>As for Executive Management, the Board is committed to provide fair and equal opportunities and nurturing diversity in the Group. In this respect, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with the appropriate experience and qualifications will be considered during recruitment and promotion.</p> |

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| Explanation for departure : | | |
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| 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 | : | <p>Although it has been the norm for the Board to rely on existing Directors or Executive Management or major shareholders to recommend candidates for appointment of Directors, the Board via the NC, if appropriate, will also rely on recommendations from business associates, advisers, etc. for potential candidates for appointment to the Board.</p> <p>The NC may also obtain and rely upon independent sources such as a directors' registry, open advertisement or use of independent search firms in furtherance of their duties at the Company's expense, subject to approval by the Chairman or the Board, depending on the quantum of the fees involved. If the selection of candidates was based on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the NC will explain why other source were not used.</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 5.7

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 | : | <p>The profile for each director is set out in the Company's Annual Report, details provided in the director's profiles include directors' shareholding in the Company, current and past directorship, working experience, academic qualifications etc.</p> <p>Explanatory notes under the Notice of the Annual General Meeting further provide the relevant information of the Directors standing for re-election including the Board's statement on its endorsement to support the re-election of Directors.</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 5.8

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 NC was established with clearly defined ToR, comprises three (3) Non-Executive Directors of whom two (2) are Independent Directors and one (1) is Non-Independent Director. The NC is chaired by Encik Mustaffa Bin Ja'afar, who is also the Independent Director. The NC's ToR is available 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

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 | : | <p>The Board recognises the recommendation of the Malaysian Code of Corporate Governance issued by the Securities Commission Malaysia to have at least 30% women Directors on the Board.</p> <p>The Board currently has one (1) female only among its six (6) members, which represents about 17% of the Board composition. This is in line with the amendments to the Listing Requirements announced by Bursa Securities vide its letter dated 19 January 2022 whereby all listed issuers were required to have at least one (1) woman Director on its Board, i.e., for non-Large Companies by 1 June 2023.</p> <p>The Board opined that given the current state of the Group's business and life cycle, it is more important to have the right mix of skills on the Board rather than to attaining the 30% threshold as stipulated in Practice 4.5 for Large Companies given the Company needs to meet the expectations of its stakeholders such as shareholders, employees, customers, suppliers and the environment.</p> <p>Nevertheless, the Board supports the initiative to include female representation on the Board to achieve a more gender diversified Board.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | The Board took cognizance of this Practice and will at the appropriate time, takes into consideration of independent sources in identifying suitable qualified female candidates including but not limited to, Women Directors' Registry and Institute of Corporate Directors Malaysia. The Board will continue to review this Practice annually. |

| | | | |
|------------------|---|--|--|
| 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.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining a competitive advantage.</p> <p>A truly diversified Board and Senior Management will include and make good use of differences in the skills, regional origins, industry experience, background, gender, age, ethnicity and other qualities of Directors.</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

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 | : Applied |
| Explanation on application of the practice | : The Board (via the NC) evaluates the effectiveness of the Board as a whole, all Board committees of and the contribution of each individual Director. This evaluation which is done annually is facilitated by the Company Secretary and conducted using evaluation forms covering the following aspects: (i) <u>Board as a whole</u> <ul style="list-style-type: none">• Board composition• Strategy• Board meeting• Corporate/Management reporting• Human capital• Risk Management• Inventor relations (ii) <u>Directors</u> <ul style="list-style-type: none">• Integrity and ethics• Contributions/Interaction• Knowledge, judgement and decision making• Understanding of role• Leadership• Board chairman's role• Character• Experience• Integrity• Competence• Time commitment (iii) <u>Audit Committee</u> <ul style="list-style-type: none">• Composition• Decision making• Expertise |

| | |
|--|--|
| | <ul style="list-style-type: none"> • Appropriate reporting and recommendations • Quality of communication to the Board • Minutes • Reporting to the Board <p>Completed evaluation forms and the results of the evaluations are collated into a report and deliberated on by the NC and subsequently by the Board and key issues arising thereon if are identified for further action by the Executive Management.</p> <p>Based on the evaluation carried out for the financial year ended 30 June 2023, the NC was satisfied with the effectiveness of the Board and Board committees and the contribution and performance of each individual Director. The Board subsequently considered and endorsed the findings and conclusions of the NC.</p> |
| Explanation for departure : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure : | |
| Timeframe : | |

Intended Outcome

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

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

Practice 7.1

The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has formalized a Remuneration Policy that supports the Directors and key senior management in carrying out their responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value.</p> <p>The Company's objective in this respect is to offer a remuneration package that is competitive to attract, develop and retain talented individuals to serve as Directors and key senior management.</p> <p>The RC is entrusted by the Board to review and recommend matters relating to the remuneration of Directors and key senior management. The Directors and Senior Management concerned shall not participate in the decision of his own remuneration. However, in event where the presence of Director is required, the Chairman of the RC may invite the Directors or Senior Management to attend to such meeting.</p> <p>The Remuneration Policy is guided by the following key principles:</p> <ul style="list-style-type: none">• Performance measures and targets to be aligned with the Company's corporate strategy and shareholders' interest.• Remuneration and rewards shall be granted based on the achievement of the Key Performance Indicator (KPI) and subject to the Company's overall performance and affordability.• To ensure total remuneration packages remain competitive with the relevant market and industry via periodic or appropriate market benchmarking exercises. <p>As a procedure:</p> |

| | |
|--|---|
| | <ul style="list-style-type: none"> • The remuneration packages of EDs who serve on the Board and Board Committees is reviewed by the RC annually and thereafter recommend to the Board for their consideration with the Director concerned abstaining from deliberations and voting on decision in respect of his/her individual remuneration package. • The Board will then recommend the payment of the Directors' fees and other benefits payable to EDs to the shareholders for approval at each AGM. <p>The Remuneration policy and procedures are periodically reviewed by the RC and are available on the Company's website.</p> |
| Explanation for departure : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure : | |
| Timeframe : | |

Intended Outcome

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

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

Practice 7.2

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

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | The RC was established with clearly defined ToR, comprises three (3) Non-Executive Directors of whom two (2) are Independent Directors and one (1) is Non-Independent Director. The RC is chaired by an Independent Director. The RC's ToR is available 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 | : | The aggregate remuneration of all the Directors of the Company and the Group during the financial year ended 30 June 2023 on a named basis with the detailed remuneration is set out in the table below. |

| No. | Name | Directorate | Company ('000) | | | | | | Group ('000) | | | | | | | |
|-----|-----------------------------|--|----------------|-----------|---------|--------|------------------|------------------|--------------|---------|-----------|---------|--------|------------------|------------------|---------|
| | | | Fee | Allowance | Salary | Bonus | Benefits-In-Kind | Other Emoluments | Total | Fee | Allowance | Salary | Bonus | Benefits-In-Kind | Other Emoluments | Total |
| 1 | Dato' Ir. Mohtar Bin Musri | Non-Indepent Non-Executive Director cum Chairman | 96,000 | 1,800 | - | - | - | - | 97,800 | 96,000 | 1,800 | - | - | - | - | 97,800 |
| 2 | Wong Wai Hung | Chief Executive Officer cum Executive Director | 60,000 | 4,800 | 289,119 | 24,000 | 6,600 | 37,440 | 421,959 | 60,000 | 4,800 | 289,119 | 24,000 | 6,600 | 37,440 | 421,959 |
| 3 | Abdul Rahman Bin Mohd. Amin | Executive Director | 36,000 | - | 188,319 | 15,600 | 5,775 | 24,336 | 270,030 | 36,000 | - | 188,319 | 15,600 | 5,775 | 24,336 | 270,030 |
| 4 | Chan Foong Ping | Independent Non-Executive Director | 60,000 | 1,800 | - | - | - | - | 61,800 | 60,000 | 1,800 | - | - | - | - | 61,800 |
| 5 | Mustaffa Bin Ja'afar | Independent Non-Executive Director | 60,000 | 1,500 | - | - | - | - | 61,500 | 60,000 | 1,500 | - | - | - | - | 61,500 |
| 6 | Rosnan Bin Rosli | Non-Indepent Non-Executive Director | 60,000 | 1,800 | - | - | - | - | 61,800 | 60,000 | 1,800 | - | - | - | - | 61,800 |
| | TOTAL | | 372,000 | 11,700 | 477,439 | 39,600 | 12,375 | 61,776 | 974,890 | 372,000 | 11,700 | 477,439 | 39,600 | 12,375 | 61,776 | 974,890 |

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>While the Board is cognisant on the importance of transparency, given the competitive search for talent within the industry, as well as other sensitive considerations, the Board believes that disclosure of senior management's remuneration on named basis is not in the best interest of the Company. Further, such non-disclosure does not prejudice stakeholders' interest.</p> <p>This is also in line with the Group's policy of ensuring the privacy of its non-Board employees as well as the competitiveness of the Group in general. Apart from that, the said disclosure may also attract unnecessary head-hunting activities from competitors which will ultimately jeopardize on the Group's operations.</p> <p>Hence, the Board opined that the disclosure of the compensation of key management personnel in Note 20 to the financial statements on page 87 of the Annual Report 2023 is deemed adequate as it complies with Paragraph 17 of Malaysian Financial Reporting Standard 124 "Related Party Disclosures".</p> |
| <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 8.3 - 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 | : | The Chairperson of the AC, Ms Chan Foong Ping, 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 policy to require a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AC is stipulated in the ToR of the AC and is available on the Company's website.</p> <p>In this context, none of the current members of the AC is a former key audit partner involved in auditing the Company and/or its subsidiaries.</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 AC has policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors, Crowe Malaysia PLT ("Crowe").</p> <p>Prior to the commencement of the annual audit, the AC will seek confirmation from the external auditors as to their independence.</p> <p>This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.</p> <p>Following a review conducted for FYE 2023, the AC was satisfied with the technical competency and independence of Crowe. The AC also discussed the nature and scope of audit and reporting obligations with Crowe before commencement of audit engagement.</p> <p>It is also the practice of the AC to respond to Crowe's enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.</p> <p>The AC considered the non-audit services provided by Crowe during FYE 2023 and concluded that the provision of these services did not compromise their independence and objectivity. The amount of fees paid for these services was not significant when compared to the total audit fees paid to Crowe.</p> <p>Crowe confirmed to the AC that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of relevant professional, ethics and regulatory requirements.</p> |

| | | |
|---|--|--|
| | <p>The AC were satisfied that the External Auditors had been independent, effective and adequately resourced. As such, the AC recommended the re-appointment of Crowe as the External Auditor of the Group for the financial year ending 30 June 2024 for the shareholders' approval at the 43rd Annual General Meeting ("AGM") of the Group. The board had subsequently approved the AC's recommendation.</p> <p>A summary of activities of the AC during the financial year under review is set out in the AC Report on pages 35 to 38 of the Annual Report 2023.</p> | |
| <p>Explanation for departure</p> | <p>:</p> | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | <p>:</p> | |
| <p>Timeframe</p> | <p>:</p> | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.5

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

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

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairperson of the AC, Ms. Chan Foong Ping, is a member of Malaysian Institute of Accountants ("MIA") since 1998. Ms. Chan started off her career as an external auditor in Messrs. Deloitte Malaysia since 1995, and joined several companies thereon holding managerial role. Ms. Chan Foong Ping is currently holding several directorships in public listed company.</p> <p>Encik Mustaffa Bin Ja'afar was graduated with a Bachelor (Hons) in Electrical and Electronics Engineering from Brighton University, England. He has 36 years of experience in various key technical, engineering and project development positions with Tenaga Nasional Berhad (TNB), before retiring in TNB as the General Manager, Engineering Services, Centre of Expertise, Energy Ventures in 2019.</p> <p>Dato Ir. Mohtar Bin Musri is a Registered Safety and Health Officer, Steam Engineer Gred 1, Major Hazard Competent Person, and Chemical Health Risk Assessor with the Department of Occupational Safety and Health Malaysia. He was previously the Chairman for Initiative Working Group on Occupational Safety and Health (OSH) in Construction (CITPIWG2/Q2-Safety), and for the Industry Standards Committee for Occupational Safety and Health (ISC W) SIRIM Berhad.</p> <p>Collectively, the AC possessed a wide range of necessary skills including accounting, corporate governance, finance, human resources management, mergers & acquisitions, strategic planning, taxation and other areas of expertise specifically relevant to the work of AC to discharge their duties.</p> |

| | | |
|---|---|--|
| | <p>The Board, through the recommendation of the NC and with the exception of the Directors who are also AC members was generally satisfied that all the AC members were financially literate and had sufficient understanding of the Company's business.</p> <p>All Directors would continue to undergo continuous and relevant training in line with facilitating their professional development so they may discharge their duties with greater effectiveness. The list of training programmes that the Board including those sitting in the AC had attended during the financial year under review are disclosed in the Corporate Governance Overview Statement on pages 28 to 34 of the Annual Report 2023.</p> | |
| <p>Explanation for departure</p> | <p>:</p> | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | <p>:</p> | |
| <p>Timeframe</p> | <p>:</p> | |

Intended Outcome

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

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

Practice 10.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has established a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to manage the Group’s risks within its risk appetite rather than to eliminate, the risk of failure to achieve the Group’s business and corporate objectives.</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>Further details on the management and reporting of the risks and the controls in place to mitigate and manage those risks are provided in the Statement on Risk Management and Internal Control set out on pages 39 to 41 of the Annual Report 2023.</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 10.2

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 | : | The features of the Group’s risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control on pages 39 to 41 of the Annual Report 2023. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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 internal audit function is outsourced to an independent assurance provider to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group.</p> <p>The internal auditors' independence is maintained by reporting functionally to the Board through the AC and administratively to Executive Management.</p> <p>Internal audit reports which are issued have to be tabled to the AC for review and Executive Management is required to be present at AC meetings to respond and provide feedback on the audit findings and recommended improvements.</p> <p>In addition, Executive Management is also required to present to the AC in meeting, status updates on significant matters and changes in key processes that could impact the Group's operations.</p> <p>Further details can be obtained at the AC Report set out on pages 35 to 38 of the Annual Report 2023.</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 have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.2

The board should disclose–

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

| | |
|---|--|
| Application | : Applied |
| Explanation on application of the practice | <p>The Group continues to adopt a risk-based approach and prepares its audit strategy and plan based on risk profiles of the business units of the Group.</p> <p>During the FYE 2023, the Group had engaged an independent professional service provider, Tricor Axcelasia Sdn Bhd (“Tricor Axcelasia”) (the succeeding firm to NGL Tricor Governance Sdn Bhd) to provide independent assurance on the adequacy and effectiveness of the Group’s system of internal controls and to advise the Group in areas that requires further improvement. The work performed is guided by the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors (“IIA”).</p> <p>The internal audit team is headed by Mr. Chang Ming Chew who Is the person responsible for the outsourced internal audit function of the Group. He is an executive director of Tricor Axcelasia and has the following qualifications and memberships:</p> <ol style="list-style-type: none">1. Certified Internal Auditor and Certification in Risk Management Assurance from the IIA;2. Certified Information Systems Auditor from the ISACA;3. Professional Member of the Institute of Internal Auditors Malaysia;4. Member of the Association of Chartered Certified Accountants (UK); and5. Member of the MIA. <p>Tricor Axcelasia assigned 4 staff per visit including the Engagement Director to perform internal audit for our Group. The staff of the internal audit team possesses professional qualifications and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia.</p> |

| | | |
|--|--|--|
| | <p>The total cost incurred for the internal audit function for FYE 2023 was RM46,000 (FYE 2022: RM45,000).</p> <p>The AC Report and Statement on Risk Management and Internal Control set out on pages 35 to 41 of the Annual Report 2023 contains further details on the principal responsibilities of the activities undertaken by the internal auditors in FYE 2023 and up to date of this Statement.</p> | |
| Explanation for departure : | | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure : | | |
| Timeframe : | | |

Intended Outcome

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

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

Practice 12.1

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

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|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is committed to ensuring that communications to stakeholders and the investing public in general is timely and factual and are available on an equal basis. The Board is also aims to maintain a positive relationship with the different group of stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby, enabling investors to make informed decisions in valuing the Company's shares.</p> <p>The release of announcements and information by the Group to Bursa Securities, is handled by the Executive Directors, supported by Finance team and/or the Company Secretary within the prescribed requirements of the Listing Requirements.</p> <p>The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly via annual reports, circulars or statements to shareholders, quarterly financial statement and annual audited financial statements, and announcements from time to time. As these announcements and information can be price-sensitive, they are only be released after having reviewed by the Executive Directors and/or the Board where necessary.</p> <p>The Company's website also provides all relevant information to stakeholders and the investing community. Quarterly financial statements and annual audited financial statements, announcements, financial information, annual reports, and circular/statements to shareholders are uploaded onto the Company's website for investors and the public.</p> <p>Any shareholders' queries or concerns relating to the Group may be conveyed to the CEO at the principal place of business as detailed below:</p> |

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|---|---|--|
| | <p>Lot 1A - 1C, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan Darul Khusus, Malaysia. Tel: (606) 677 5898 Fax: (606) 677 5162 Email: ceo@seb.net.my</p> <p>The AC Chairperson is designated by the Board to be the contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the CEO. She too can be contacted at the above address.</p> <p>The Board is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. At the AGM, the CEO will provide a presentation of the Group's annual operating and financial performance, followed by a Questions and Answers session during which the Chairman encourages shareholders' active participation, including clarifying and questioning the Group's strategic direction, business operations, performance and proposed resolutions.</p> | |
| <p>Explanation for departure</p> | <p>:</p> | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | <p>:</p> | |
| <p>Timeframe</p> | <p>:</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 12.2

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

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Group, which is not a Large Company under the definition of Paragraph 2.6 of the Malaysian Code of Corporate Governance, does not intend to adopt integrated reporting. | |
| | | To enable stakeholders to make informed decisions, the Company has disclosed in various statements in its annual report in accordance with the Listing Requirements of Bursa Securities. These include the Management Discussion and Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, Audit Committee Report as well as the Sustainability Statement on pages 4 to 16 of the Annual Report 2023 covering the aspects of economic, environment and social responsibility. | |
| <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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Notice of the 43rd AGM that was held on 15 December 2022 was issued on 28 October 2022 with a notice period of more than 28 days as to ensure sufficient time is given to shareholders to make the necessary arrangement to attend the AGM.</p> <p>The notice of the AGM outlines the resolutions to be tabled during the AGM and is accompanied with explanatory notes and background information to provide clarity on the matters that will be decided at the AGM.</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 13.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the AGM.</p> <p>All Directors attended the 43rd AGM held on 15 December 2022.</p> <p>Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 44th AGM to address shareholders' queries at the meeting.</p> <p>The external auditors will also attend remotely to answer shareholders' queries on their audit process and report, the accounting policies adopted by the Group, and their independence.</p> <p>The Board will also share with the shareholders the Company's responses to questions submitted in advance of the 44th AGM by the Minority Shareholder Watch Group, if any.</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>In view of the implementation of the Conditional Movement Control Order for Selangor, Kuala Lumpur and Putrajaya and in the interest of the health and safety of all stakeholders, the Company had at its 4^{3rd} AGM held on 15 December 2022 leveraged on the technology to facilitate remote shareholder participation and electronic voting for the conduct of poll on all resolutions via the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”) via TIIH Online website. Scrutineer Solutions Sdn. Bhd. was appointed as the Poll Administrator to validate the poll results.</p> <p>As at the date of this Report, the Company has less than 2,000 shareholders. With the relatively small shareholder base, the Board is of the view that there is no immediate need for the Company to leverage on technology to facilitate electronic voting and remote shareholder participation at the endemic period.</p> <p>As such, the Company’s 44th AGM will be held physically as to provide better interaction between the Directors, Management and shareholders. The Company will make sure that 44th AGM is to be held at an accessible location but not in remote areas in order to encourage shareholders to attend and participate in the meeting.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |

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| Timeframe | : | | |
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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.

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| <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 | : The last AGM were conducted in fully virtual manner through live streaming via the RPV facilities provided by Tricor, with the Board members, Company Secretary and Senior Management were present remotely via live webcast at the Broadcast Venue. During the Questions & Answers ("Q&A") session, the shareholders were allowed to raise their queries and/or questions whereby the Chairman and CEO addressed and answered the posted queries and questions.. The outcome of the 43 rd AGM was announced to Bursa Securities on the same day, which is also accessible 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.

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| <i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i> | |
| Application | : Applied |
| Explanation on application of the practice | : The 43 rd AGM was conducted in fully virtual manner through live streaming via the RPV facilities and broadcast tools provided by Tricor via its TIIH online website https://tiih.online at the Broadcast Venue at Wisma MIE, Level 10, No 2, Jalan Industri PBP 2, Taman Industri Pusat Bandar Puchong, 47160 Selangor, Malaysia. The Board encouraged shareholders to actively participate in the 43 rd AGM by providing feedback on questions raised. Questions raised by shareholders were moderated (as to avoid repetition or curated for better clarity) and broadcasted during the meeting. |
| 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 43 rd AGM of the Company held on 15 December 2022 were uploaded on the Company's website at www.seb.net.my within 30 business days from the date of the 43 rd 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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