

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0185
COMPANY NAME : HSS Engineers Berhad
FINANCIAL YEAR : December 31, 2022

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

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

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for the leadership, oversight, control, strategic directions, development and long-term success of the Group. The Board also ensures that proper processes are in place to evaluate the adequacy of internal controls, risk management, financial reporting and compliance; and to set the Group's values and standards. It is also responsible for instilling the appropriate culture, values and behaviour throughout the Group.</p> <p>The Group has a Mission Statement outlining its primary goals and purposes, which guide employees towards achieving its strategic objectives.</p> <p>The Board is guided by the Company's Board Charter which defines the specific duties and responsibilities of the Board. The Board Charter can be found at our Company's website at www.hssgroup.com.my.</p> <p>In carrying out its duties and responsibilities, the Board has delegated some of its responsibilities to the Committees of the Board, namely Audit and Risk Management Committee ("ARMC") and Nomination and Remuneration Committee ("NRC"). The activities of each Committee are set out in the Corporate Governance Overview Statement of the Annual Report 2022.</p> <p>While the responsibility for monitoring the effectiveness of the Group's risk management and internal control systems has been delegated to the ARMC, the Board retains ultimate responsibility for determining the Group's "risk tolerance" and annually considers a report in relation to the monitoring, controlling and reporting of identified risks and uncertainties. In addition, the Board receives regular reports from the Chairman of the ARMC in relation to the work of the ARMC in the area of internal control.</p>

	The Board promotes the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance and ensure the integrity in the company's financial and non-financial reporting.	
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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by Dato' Mohd Zakhir Siddiqy Bin Sidek, an Independent Non-Executive Chairman. The Chairman's role and responsibilities have been set forth in the Board Charter which is available on the Company's website at www.hssgroup.com.my.</p> <p>The Chairman of the Board is responsible for instilling good corporate governance ("CG") practices in the organisation and subsequently leads the Board in the adoption and implementation of the same by setting the tone at the top, and managing the Board's effectiveness by focusing on strategy, governance and compliance in regard to public interest.</p> <p>The Chairman also leads the meeting pace and discussion in an effective manner, allowing for expression of views in the spirit of "constructive challenge", effective debate and contribution from respective Board members to facilitate informed decision-making by the Board and ensures that the decisions made are a representation of the Board as a whole.</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 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board delegated responsibilities for the management of the Group, through the Executive Vice Chairman (“EVC”) and Group Chief Executive Officer (“GCEO”), to executive management. There is a clear division of responsibilities between the roles of the Chairman and the EVC / GCEO, which are set out in the Board Charter available on the Company’s website at www.hssgroup.com.my. The Chairman of the Board is Dato’ Mohd Zakhir Siddiqy Bin Sidek who leads and manages the Board by focusing on strategy, governance and compliance.</p> <p>The Company understands the importance of a balance of power and authority, such that no one individual has unfettered decision-making powers. However, due to resignation of GCEO in 2020, Tan Sri Ir. Kunasingam A/L V.Sittampalam, who is the EVC of the Company temporarily takes the role of acting GCEO until the Company and Board have identified a suitable, competent and experienced candidate to assume the role of GCEO to spearhead the Company. As of to-date, the EVC is responsible for the day-to-day management of the Group, organisational effectiveness and implementation of Board policies, strategies and decisions. The EVC together with the management team manages the business of the Group in accordance with the strategic plans, instructions and directions of the Board.</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 1.4

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

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
Application :	Departure
Explanation on application of the practice :	
Explanation for departure :	<p>The Chairman has been a NRC member and ARMC member since the date of his appointment to the Board on 17 April 2015.</p> <p>With the issuance of the revised Malaysian Code on Corporate Governance ("MCCG") in April 2021, the Chairman of the board has resigned as NRC's member. Nevertheless, the Chairman of the Board is still holding a membership in the ARMC. Currently, the ARMC consists of three (3) members, all of whom are independent directors. The Company wishes to retain the current composition in the ARMC as majority ARMC members (including the Chairman) have the qualification from the Malaysian Institute of Accountants which allows the ARMC to function effectively as in all members are financially literate, possess the appropriate level of expertise and experience, and have the strong understanding of the Group's businesses.</p> <p>The Board also viewed that the current Board composition is of the right size and optimum. Hence, it is not required to appoint new Director in the Board to replace the ARMC's membership hold by the Chairman.</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

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

Practice 1.5

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors have full access to the advice and services of the Company Secretaries, who are responsible to the Board for ensuring that Board procedures are complied with. Ms Samantha Tai Yit Chan and Ms Tan Ai Ning (from Boardroom Corporate Services Sdn Bhd) are the Company Secretaries of the Company and are fellow members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). They are professionally qualified, competent and capable of carrying out the duties required and have attended trainings/ seminars to keep abreast on the changes of regulations and requirements.</p> <p>The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are professionally qualified, experienced and knowledgeable on new or revised regulatory requirements as well as corporate governance best practice. In this respect, the Company Secretaries play an advisory role to the Board, particularly with regard to the Company's Constitution, Board policies and procedures, and its compliance with regulatory requirements and advocate adoption of corporate governance best practices.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board to discharge its functions.</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 1.6

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>Board meetings and meetings of Board Committees for each financial year are scheduled in advance for Directors to plan their schedule ahead. Additional or special meetings may be convened as and when necessary to enable the Board and Board Committees to deliberate and decide on any urgent proposals/matters.</p> <p>Prior to the Board and Board Committee meetings, a formal and structured agenda together with the agenda/ meeting papers are forwarded to the Directors via both hardcopies and electronic mail within a reasonable period prior to the Board's and Board Committees' meetings to ensure the Directors/ committees' members have a proper and relevant depiction of the issues at hand, thus improving Board's/ Committees' performance and overall effectiveness of decision-making.</p> <p>The Notice of Board's and Board committees' meetings are sent to the Directors/ committees' members via e-mail at least 7 days prior to a meeting. Exceptions may be made for certain ad-hoc or urgent instances when Directors unanimously consent to a shorter notice period and elapsed timeframe for the provision of agenda papers.</p> <p>All key deliberations and decisions at Board and Board Committee meetings are duly recorded in respective minutes of meetings, including dissenting views and Directors' abstention from deliberation and decision on related matters. The draft minutes of the meetings are circulated to the Board of Directors and Committee members for their comments and necessary action in a timely manner before tabling for confirmation at the next meetings. In addition, minutes of Board Committees are presented at Board meetings for notation.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter is available on the Company's website at www.hssgroup.com.my which has been incorporated into the Group's governance system and documents policies that the Board has decided upon to meet, among others, its responsibilities, governance and leadership as a description tool of how the Board operates.</p> <p>The Board Charter provides the requirement for Directors to maintain the highest degree of integrity and professionalism while at the same time promoting transparency and accountability in their actions. The roles and responsibilities of the Board of Directors, Senior Independent Non-Executive Director ("Senior INED"), Chairman, EVC and GCEO are clearly outlined in the Board Charter.</p> <p>The Board Charter also sets out a formal schedule of matters reserved to the Board for consideration and decision as well as of those which the Board may delegate to the Board Committees.</p> <p>The Board Charter is periodically reviewed by the Board and updated based on the MCGG, Main Market Listing Requirements ("Listing Requirements") and Companies Act 2016 to ensure relevance and effectiveness.</p> <p>The terms of references of the ARMC and NRC are available on the Company's website. The Board Charter and Terms of Reference of the Board Committees were last updated on 22 February 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

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

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

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<p>All of the Group's relationships are underpinned by high ethical standards, as expressed in our Code of Ethics of Directors, Code of Conduct, Anti-Bribery Policy, Whistle-Blower Policy as well as Gift, Hospitality and Donation Policy (collectively referred to as "the Codes"), which set acceptable practices and guide the behaviour of directors, management and employees. All the employees including Directors of HSS Engineers Berhad Group are required to read the Codes and understand how to deal with situations involving ethical dilemmas to ensure that they continuously uphold high standards of conduct while performing their duties.</p> <p>The Codes include, inter alia, matter relating to conflicts of interest, confidentiality, proper use of the Company's assets and properties as well as knowledge and information on prohibited activities or misconduct involving gifts, gratuities, bribes and corruption, insider trading and money laundering. The reporting of unlawful or unethical behaviour is encouraged, particularly through the Whistle-Blower Policy. The Codes are available on the Company's website at www.hssgroup.com.my.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	The Whistle-blower Policy serves as a guide to employees of the Group and other interested parties on the avenues available to raise genuine concerns relating to possible improprieties in matters of financial reporting, compliance, corruption, bribery and other malpractices can be objectively investigated and addressed. In light of privacy and security concerns, all complaints/reports in relation to the Group are channelled to the ARMC Chairman at a personal email address to be kept private and confidential. The Whistle-blower Policy is available on the Company's website at www.hssgroup.com.my .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>One of the duties and responsibilities of the Board under its Board Charter is to ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability. In this respect, the EVC through the Executive Committee, assists the Board in overseeing the formulation and implementation of effective sustainability strategies.</p> <p>The Sustainability Steering Committee which was formed at the management level, regularly reports the Group's sustainability matters including progress towards sustainability targets, material sustainability risks and related mitigation actions to the Senior Management for deliberations at its quarterly meetings.</p> <p>Accordingly, the Board is ultimately accountable for ensuring that sustainability is integrated into the strategic direction of HSS Engineers Berhad Group and its operations. To achieve this, the Board continuously ensures that there is an effective governance framework for sustainability within the Group to reflect our values and the manner in which the Company's performs its daily work.</p> <p>The Company's effort on sustainability is based on the following Sustainability Framework:</p> <ul style="list-style-type: none">- Valuing/Developing Human Capital- Connecting Community- Transforming the Nation- Sustaining the Environment <p>The sustainability framework also provides an overarching structure that is useful for implementing sustainability throughout the business operations. These factors have helped the Company focus on key areas</p>

	<p>in sustainability journey for the maximum benefit. It also helps the Company to create long-term value for the business and stakeholders.</p> <p>The details on the Company's effort towards sustainability was disclosed via Sustainability Statement in the Annual Report 2022.</p> <p>The Company had on 23 November 2022 adopted the Sustainability Policy that sets out the Company's commitment towards sustainability. The Policy is available on the Company's website at www.hssgroup.com.my.</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

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

Practice 4.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has an established stakeholder engagement practice for respective stakeholder groups, which drives long-term sustainability by providing opportunities to further align practices with societal needs and expectations.</p> <p>The Company remains committed to three (3) main sustainability pillars: Economic, Environmental and Social as suggested in Bursa Malaysia Sustainability Guide. The Company undertakes to employ innovative ideas in the construction industry to reduce environmental impact, improve safety, drives down costs and improves overall project executive and timeliness. The Company is also committed to leveraging expertise and remaining resilient in supporting the nation’s infrastructure development initiatives.</p> <p>Please refer to Sustainability Statement enclosed in the Annual Report 2022 of the Company for further details.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>In order to ensure the Board is kept abreast on the sustainability issues which are relevant to the Company's business and operations, the Board, from time to time are encouraged to attend seminar/training programmes which are conducted either internally or externally to gather more insights in relation to sustainability risks and opportunities.</p> <p>As at to-date, below are some of the training/seminar attended by the Board in relation to sustainability;</p> <ol style="list-style-type: none"> 1. Talk on Planning Guideline and Best Practice Handbook for Water Supply System: Series 6 Section 7/Topic: Water Treatment Plan Layout and General Arrangements 2. Borneo Waste Water Exhibition, Kuching 3. Specialised Conference & Exhibition on Water Quality & Treatment 4. Asiawater Conference & Exhibition 2022, Kuala Lumpur 5. Dialogue on Effective Media Communication 6. Webinar Series: Board Assessment: A key cog in an Effective Governance Structure <p>In addition, the Board will be updated on the Sustainability and Environmental, Social and Governance matters through reports or updates on governance to ensure the Board is kept abreast on the latest developments and trends, in the local and global scene.</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

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

Practice 4.4

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	A detailed study is required for developing the criteria for the performance evaluations of the Board and Senior Management to address the material sustainability risks and opportunities.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5- Step Up

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

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

Application	:	Adopted
Explanation on adoption of the practice	:	The Board has identified Tan Sri Ir. Kunasingam A/L V.Sittampalam, the acting GCEO as a designated person to oversee and advise on the Group's sustainability strategically in the operations of the Group. The Board is also assisted by the Sustainability Steering Committee to develop the framework and formulate decisions to integrate strategies into business opportunities and daily operations, further implementing these initiatives towards the Group's sustainability objectives.

Intended Outcome

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

Practice 5.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The NRC assists the Board in reviewing the required mix of experience and other qualities of the Board on an annual basis, including core competencies which Non-Executive Directors should bring to the Board.</p> <p>When considering the Directors for re-election, the NRC considered the following:-</p> <ul style="list-style-type: none">• Director's performance and contribution based on self and peer assessment result from the Board's evaluation;• the Director's level of contribution to the Board's deliberations through several aspects, i.e. skills, experience, time commitment, strength in qualities;• the level of independence demonstrated by the Director (if applicable) and the Director's ability to act in the best interests of the Company;• compatibility within the overall composition of the Board to match the profile and activities of the Company;• degree of familiarity with the Company's business activities and its operating environment.• Directors' fitness and probity based on the criteria as set out in the Group's Fit and Proper Policy, which is available on the Company's website at www.hssgroup.com.my. <p>In February 2022, premised on satisfactory assessment results, the Board endorsed the NRC's recommendation to seek shareholders' approval for re-election of the Directors who were due for retirement and have offered themselves for re-election at the Company's 7th AGM which was held in June 2022.</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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>During the financial year ended 31 December 2022, the Board comprised one (1) Independent Non-Executive Chairman, one (1) EVC, three (3) Executive Directors, one (1) Non-Independent Non-Executive Director, two (2) Independent Non-Executive Directors and one (1) Alternate Director. The Independent Directors represented 37.5% of the Board composition.</p> <p>The Board is of the view that the current Board composition provides appropriate balance in terms of skills, knowledge and industry experience to lead and oversee the Group. The nominees for the major shareholders are balanced by the presence of the Independent Directors on the Board whose collective views carry significant weight in the Board's deliberation and decision-making process. The presence of Independent Non-Executive Directors of the Company provides check and balance on the Board as they are able to provide unbiased and independent views by taking into account the interests of the Group and minority shareholders, challenge management proposals constructively and review management performance in meeting agreed objectives and targets.</p> <p>All Independent Non-Executive Directors meet the criteria for independence as prescribed under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and no politician is appointed to the Board of the Company as at the date of this report.</p> <p>The NRC and the Board have upon their assessment for the financial year under review, concluded that the Independent Non-Executive Directors were independent in their judgment and decisions.</p>
<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 5.3

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied	
Explanation on application of the practice	:	Currently, there is no independent director serving the Board beyond nine (9) years, details of which as set out in the Annual Report 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

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

Practice 5.4 - Step Up

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

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 5.5

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

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

Application	:	Applied
Explanation on application of the practice	:	<p>In recommending the appointment of Directors and Senior Management, the NRC considers salient attributes such as mix of skills and experience, expertise, strengths, expected contribution, independence (where applicable), time commitment and the multiple facets of diversity to ensure a balanced mix of talents on the Board and Senior Management level.</p> <p>The Board, alongside the NRC, undertakes periodic reviews of the composition of the Board and Senior Management to ensure that they remain diverse, in the context of the needs of the Company's businesses and strategies.</p> <p>The current composition of the Board includes a diverse mix of skill sets, knowledge, experience (e.g. Accounting, Finance, Business, Management and Engineering) and age (range between 31 years old to 69 years old).</p> <p>The Board is satisfied with the level of time commitment given by all Directors in discharging their roles and responsibilities. All Directors' attendances at the respective meetings of the Board and Board Committees held during the financial year 2022 is set out in the Corporate Governance Overview Statement of the Annual Report 2022.</p> <p>The Company had adopted a Fit and Proper Policy which applicable to the Company and its subsidiaries on 30 June 2022, serves as a guide to the NRC and the Board of Directors in their review and assessment of candidates for appointment/re-election/re-appointment to the Board.</p> <p>The candidates are assessed based on the process and criteria as set out in the policy to determine their fitness and probity. The Fit and Proper Policy is available on the Company's website at www.hssgroup.com.my.</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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The current process with regards to the appointment of new Director to the Board is based on the recommendation of the NRC. The Board relies on the existing network and referrals from existing Directors, Senior Management and major shareholders as primary means to source for new Director as they represent a tried and tested method of sourcing high-calibre director with a sound understanding of the business.	
		The appointment process is carried out based on methodical and robust process undertaken by the NRC. Candidate will be thoroughly assessed based on his/her competence, integrity, character, time commitment and experience as stated in Paragraph 2.20A of Bursa Securities' Listing Requirements. The Board will consider external and independent sources if applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.7

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

Application	:	Applied	
Explanation on application of the practice	:	The profile of directors who are standing for re-election are set out in pages 23, 24 and 25 of the Annual Report 2022 and statement to support the re-election of directors are set out in the explanatory note of the notice of annual general meeting on pages 171 and 172 of Annual Report 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

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

Practice 5.8

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Dato' Sri Ir. Hj. Ismail bin Md.Salleh, the Senior INED of the Company, is the Chairman of the NRC.</p> <p>The Board recognises the need for the NRC Chairman to be independent to ensure objectivity and independent judgement during deliberations.</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 5.9

The board comprises at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board has two (2) female representatives, namely Puan Ir. Sharifah Azlina Bt Raja Kamal Pasmah and Ms Vanessa A/P Santhakumar, representing 25% of the total Board members.</p> <p>The Company has in place a Diversity Policy which outlines its approach to achieving and maintaining diversity (including gender diversity) on its Board of Directors and in Senior Management positions.</p> <p>The Board recognises the challenges in achieving the right balance of diversity in the Company. This will be done over time, taking into account the present size, the valuable knowledge and experience of the present Senior Management and the evolving challenges to the Company over time.</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 5.10

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	:	The Company has in place a Diversity Policy which outlines its approach to achieving and maintaining diversity (including gender diversity) on its Board of Directors and in Senior Management positions. The Company recognises the importance of promoting diversity at all levels of its workforce. In line with Company's Diversity Policy, the Company is committed to manage diversity and promote inclusiveness as a means of enhancing the Company's performance by recognising and utilising contribution of diverse skills and talents from its directors, officers and employees. To-date, 25% of the total Board members are held by women.	
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	: <p>The Board has adopted a formal and objective annual evaluation on the performance of the Board and Board Committees. The assessment took into account the contribution and performance of the Directors in relation to their competencies, time commitment, and experience in meeting the needs of the Company. The NRC conducted Board assessment via questionnaires on yearly basis. The results and recommendations from the evaluation of the Board and Board Committees are reported to the Board for consideration and action.</p> <p>The results of individual directors' evaluation are also used by NRC to review, where appropriate, the composition of the Board and Board Committees.</p> <p>The following key criteria were used in the assessment of the effectiveness of individual Directors during the year:-</p> <ul style="list-style-type: none">• Integrity – disclosure of conflict of interest with the Group (if any) and ethical behaviour in managing businesses;• Professionalism – ability to provide opinion and explanation objectively, technically sound and tactfully on issues discussed;• Availability – responsiveness to enquiries and providing assistance and advice to the Board when outside the boardroom;• Business knowledge – sharing of information or insights to Group's businesses and formulation of strategies;• Meeting attendance – regularly and timely attendance of Board meetings;• Meeting preparation – well prepared prior to the meetings by reading agenda papers to have a proper and relevant depiction of the issues at hand and understands the technical requirements, risk and management of the Company's business by providing concrete advice and oversight to the Management on various opportunities and risks;

	<ul style="list-style-type: none"> • Board participation – participates actively in Board activities and work constructively with peers; • Relationship with Board members – maintaining good relationship with each Board members and able to communicate persuasively in a clear and non-confrontational manner; • Public Relations – exercise duty of care and professionalism when maintaining contact with all stakeholders. <p>Key criteria used in the assessment of the effectiveness of each Independent Directors during the year included:</p> <ul style="list-style-type: none"> • Criteria of Independence based on the Listing Requirements of Bursa Securities; and • Attendance of Meeting; • Tenure/ Length of Service as Independent Director in Company. <p>In line with the assessment of Board effectiveness, an assessment of the Board Committees as a function of the Board is also carried out to evaluate the effectiveness of the Committees in meeting the objectives for which they are established. Committee members will assess their roles in assisting the Board to fulfil its responsibilities as delegated to the Committee by its terms of reference.</p> <p>Key criteria used in the assessment of the effectiveness of a Board Committee during the year were:</p> <ul style="list-style-type: none"> • Member’s performance; • The right composition of the committee; and • Member’s knowledge, experience and expertise in fulfilling the role. <p>The Board was satisfied with the outcome and that the skills and experience of the current Directors satisfy the requirements of the skills matrix, and that the Chairman possesses the leadership to safeguard the stakeholders’ interest and ensure the Group’s performance. The Board also recognised that the ARMC and NRC have the right composition and sufficient knowledge of relevant areas, and thus have been effective in discharging their duties.</p> <p>Hence, the Board will continue to review the efficiency and effectiveness of the Board evaluation process to ensure it remains a valuable feedback mechanism for improving Board effectiveness, maximising strengths and highlighting areas for further improvement.</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>	

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 Company has in place a Remuneration Policy which sets out the remuneration structure, remuneration elements and approval process for recommending the remuneration package of the Directors (including the remuneration of Non-Executive Directors which requires shareholders' approval) and Senior Management of the Group.</p> <p>The Remuneration Policy serves as a guide to set remuneration at an optimum level which is sufficient to attract and retain Directors and Senior Management to motivate them to work towards their highest performance.</p> <p>When reviewing the structure and level of Directors' fees, the NRC takes into consideration of Directors' roles and responsibilities and the NRC also compared against the peers' practices, demands, complexities and performance of the Company in determining the level of remuneration.</p> <p>The remuneration packages of the EVC, GCEO and Senior Management are being reviewed annually by the NRC, taking into consideration the Company/Group's performance, the individual performance against the key performance indicators determined as well as the required qualification, skills and experience and comparable market statistics.</p> <p>The Remuneration Policy was last reviewed on 22 February 2023 and is available for reference at www.hssgroup.com.my.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

The 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	:	<p>The NRC comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director and the Chairman of NRC is Dato' Sri Ir. Hj. Ismail bin Md.Salleh, the Senior INED of the Company. A copy of its Terms of Reference is available on the Company's website at www.hssgroup.com.</p> <p>The Board is satisfied that the NRC had discharged its duties and responsibilities in respect to Directors' remuneration including review of the remuneration package for the Executive Directors 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

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>In line with best corporate governance practice, the remuneration of each individual Director on named basis is made transparent and accessible to shareholders and stakeholders.</p> <p>The details of the remuneration of Directors comprising remuneration received from the Company and subsidiary companies for the financial year ended 31 December 2022 are set out as below:-</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	Dato' Mohd Zakhir Siddiqy Bin Sidek	Independent Director	99,900	13,000	0	0	0	0	112,900	99,900	13,000	0	0	0	0	112,900
2	Tan Sri Ir.Kunasingam A/L V.Sittampalam	Executive Director	0	248,000	936,000	0	0	141,043	1,325,043	0	248,000	936,000	0	0	141,043	1,325,043
3	Datuk Ir. Teo Chok Boo	Executive Director	0	233,000	960,000	0	0	144,643	1,337,643	0	233,000	960,000	0	0	144,643	1,337,643
4	Ir. Sharifah Azlina Bt Raja Kamal Pasmah	Executive Director	0	119,168	436,800	0	0	66,522	622,490	0	119,168	436,800	0	0	66,522	622,490
5	Ir. Prem Kumar A/L M Vasudevan	Executive Director	0	119,600	600,000	0	0	90,643	810,243	0	119,600	600,000	0	0	90,643	810,243
6	Dato' Sri Ir.Hj.Ismail Bin Md.Salleh	Independent Director	88,800	16,000	0	0	0	0	104,800	88,800	16,000	0	0	0	0	104,800
7	Tai Keat Chai	Independent Director	88,800	16,000	0	0	0	0	104,800	88,800	16,000	0	0	0	0	104,800
8	Vanessa A/P Santhakumar	Non-Executive Non-Independent Director	88,800	11,000	0	0	0	0	99,800	88,800	11,000	0	0	0	0	99,800
9	Ir. Syed Mohamed Adnan Bin Mansor Alhabshi	Alternate Director to Datuk Ir. Teo Chok Boo	0	0	0	0	0	0	0	0	63,000	304,000	0	0	55,692	422,692

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>The Board is of the opinion that the disclosure of Senior Management's remuneration would not be in the best interest of the Group as it would affect the Group's efforts in talent retention and management within the competitive industry as well as for confidentiality reason.</p> <p>In accordance with the Remuneration Policy, the Board recognises the importance of compensating Senior Management with a competitive remuneration package based on the following:-</p> <ul style="list-style-type: none"> • Scope of responsibilities, jobs requirements and accountability; • Experience and relevant competency; • Salary level at relevant comparators and at companies of similar size and within the same industry; and • Remuneration of different groups of employees within the Group. <p>The Board ensures that the remuneration is in the best interests of the Company and its shareholders from a growth perspective, since it helps motivate and retain talented and committed Senior Management staff.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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	:	<p>Mr Tai Keat Chai is the Chairman of the ARMC whilst the Chairman of the Board is Dato' Mohd Zakhir Siddiqy Bin Sidek.</p> <p>Having the Board Chairman and Chairman of the ARMC assumed by different individuals allows the Board to review the ARMC's findings and recommendations objectively.</p> <p>Mr Tai Keat Chai is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Malaysian Institute of Accountants (MIA). The possession of sound financial understanding and experience equips the Chairman of the ARMC with the ability to lead discussions and deliberations and ultimately be satisfied that the end result fairly reflects the understanding of the ARMC.</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 9.2

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 Board recognises the need to uphold the independence of the external auditors from the Board and Management. The ARMC’s Terms of Reference specifically sets out the requirement for a former key audit partner to observe a cooling off period of at least three (3) years before being appointed as a member of the ARMC.</p> <p>Presently, none of the members of the ARMC are former key audit partners.</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 Terms of Reference of the ARMC includes the procedure to assess the suitability, objectivity and independence of the external auditor of the Company. The ARMC also reviews the nature and extent of non-audit services rendered by the external auditor during the financial year and concluded that the provision of these services did not compromise their independence and objectivity.</p> <p>During the year under review, Messrs. KPMG PLT was re-appointed as the external auditors of the Company. The ARMC had reviewed, assessed the suitability and independence of external auditors and is satisfied with the competence, audit quality, resource capacity of the external auditors in relation to the audit services provided. Based on the assessment, the ARMC recommended to the Board the re-appointment of Messrs. KPMG PLT as external auditors of the Company be tabled at the forthcoming Annual General Meeting (“AGM”) for shareholders’ approval.</p> <p>The ARMC also obtained written assurance from the external auditors 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	:	The ARMC comprised three (3) members, all of whom are Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>All the members of the ARMC have the necessary financial experience, commercial expertise, capital markets skills and relevant industry experience required to meet their responsibilities and provide an effective level of challenge to management. They also undertake ongoing training and development to keep abreast of latest changes and developments in the business environment, as detailed under Directors' Training section of the Corporate Governance Overview Statement of Annual Report 2022.</p> <p>The ARMC Chairman, Mr Tai Keat Chai and ARMC member, Dato' Mohd Zakhir Siddiqy Bin Sidek are members of the Malaysian Institute of Accountants (MIA) with relevant accounting or related experience and financial literacy to effectively discharge their duties whilst Dato' Sri Ir. Hj. Ismail bin Md.Salleh possess the extensive working experience and knowledge in the construction industry.</p> <p>Based on the annual evaluation in regard to term of office and performance of the ARMC for the financial year ended 31 December 2022, the Board is satisfied that the ARMC had carried out its duties and responsibilities effectively as per its Terms of Reference and the ARMC as a whole and each member of the ARMC have added value and contributed to the overall effectiveness of the ARMC.</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 is responsible for reviewing and approving the Group's overall risk philosophy and risk appetite, recognising and understanding the major risks to which the Group is exposed to and ensuring appropriate systems are in place to effectively control, manage and mitigate those risks.</p> <p>The Company has in place an Enterprise Risk Management Framework and has adopted a Risk Management Policy for identifying, evaluating and managing significant risks which may affect the Company's business objectives. The Risk Management Framework provides a reasonable and not absolute assurance against material misstatements, losses or frauds that may affect the Group's financial position or its operations.</p> <p>The Board, assisted by ARMC, reviews and monitors the key risks identified by Deloitte Risk Advisory Sdn Bhd over strategic, operation, reporting, compliance and mitigation of risks and report to the Management and ARMC for the financial year ended 2022.</p> <p>The Statement on Risk Management and Internal Control of the Group which provides an overview of the risk management practices and internal controls implemented by the Group can be found in the Annual Report 2022.</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	:	<p>The Board, assisted by ARMC, has established a framework to formulate and review risk management policies and risk strategies.</p> <p>All key risks (including detailed assessment of risks as well as the corresponding mitigating controls implemented or to be implemented) were captured and reviewed by the respective support units. Subsequently, all key risks were consolidated and presented to the management of the Company and thereafter, the half-yearly reports will be tabled to the ARMC.</p> <p>Further information on the Group's risk management and internal framework is presented in the Statement on Risk Management and Internal Control of the Annual Report 2022.</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 ARMC of the Company is responsible for monitoring and reviewing the effectiveness of the Group's Internal Audit function. The Internal Audit function is independent and is led by the Internal Auditor, which is outsourced to Deloitte Business Advisory Sdn Bhd who has a direct reporting line to the ARMC for the financial year ended 2022.</p> <p>Deloitte Business Advisory Sdn Bhd provides recommendations to mitigate the risks or weaknesses and enhance the governance, risk management and control processes within the Group. The results of the audits were tabled and reviewed by the ARMC. The respective head of departments were made responsible to ensure that corrective actions on the reported risks or weaknesses were taken within the required timeframes.</p> <p>The ARMC continually evaluates the Internal Audit function to ensure its activities are performed independently and with impartiality and due professional care.</p> <p>For further details on the key activities of the Internal Audit function, please refer to ARMC Report of the Annual Report 2022.</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 have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Auditor reports to the ARMC. This reporting relationship promotes independence and objectivity, which assures adequate consideration of audit recommendations and planned corrective actions and gives the Internal Auditor the authority needed for full, free and unrestricted access to all operations, records, property and personnel within the Group.</p> <p>The Internal Audit function is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (“IIA”).</p> <p>The outsourced Internal Auditor is made of a team of 4 with the following qualifications respectively: (a) Chartered Member of The Institute of Internal Auditors Malaysia; (b) Chartered Member of The Institute of Internal Auditors Malaysia; (c) Member of Malaysian Institute of Accountants; and (d) Member of Chartered Accountant (CAANZ).</p> <p>The Internal Auditor, Deloitte Business Advisory Sdn Bhd is free from any relationship or conflicts of interest which could impair their objectivity and independence.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board maintains a dialogue with shareholders, directed towards ensuring a mutual understanding of objectives. The Company enjoys a relatively high level of coverage and exposure to the investment community.</p> <p>When the Company makes announcements on major corporate exercise, it is typically accompanied by a press release. Press conferences are typically held following general meetings approving such major corporate exercise which provides an opportunity for the management team to meet existing and/or potential investors in a concentrated set of meetings.</p> <p>The Company has in place the Corporate Disclosure Policies and Procedures which was revised on 22 February 2023.</p> <p>The Company has established a corporate website including the creation of an Investor Relations (“IR”) web portal to serve as a channel of communication with the existing and/or potential investors by including all the announcements made by the Company, share price information, newsroom and financial information. The IR function is managed by Corporate Communications department of the Company.</p> <p>The spokespersons of the Company (which comprises EVC, Executive Directors and any other officers as may be authorised by the EVC,) communicates with constituents and responds to questions in relation to the corporate vision, strategies, developments, future prospects, financial results and plans, operational matters and etc.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 12.2

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

Application	:	Not applicable – Not a Large Company	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as the Company is not a Large Company as defined under the MCCG.	
<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	:	<p>In 2022, the Company issued the Seventh AGM Notice on 27 April 2022, i.e. at least 28 clear days prior to the AGM on 8 June 2022.</p> <p>The Notice convening the Eighth AGM scheduled to be held on 8 June 2023 is dated 27 April 2023, giving the shareholders at least 41 clear days' notice (excluding the day of sending the notice and the day of the meeting) to make necessary arrangement to attend and participate in the AGM remotely by using the RPV facilities in person or through corporate representatives or proxies. In addition to sending notice, the Company also published the AGM Notice on the newspaper and on its 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

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>During the Seventh AGM of the Company held on 8 June 2022, all meeting participants including the Chairman of the meeting, board members, senior management and shareholders participated virtually in the AGM.</p> <p>Shareholders were invited to ask questions both on the resolutions being proposed before putting them to vote as well as on matters relating to the Company's operations in general and meaningful responses were given to the questions raised.</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	:	Applied
Explanation on application of the practice	:	<p>At the Seventh AGM held on 8 June 2022, the Company conducted its electronic and virtual AGM through live streaming and online remote participation vide Remote Participation and Voting facilities ("RPV facilities") by appointing Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") as Poll Administrator to conduct the polling process. This is in accordance with Section 327 of the Companies Act 2016 and Clause 62 of the Company's Constitution which allows for General Meetings to be held at more than (1) one venue using any technology or electronic means.</p> <p>Holding a fully virtual meeting has greatly enhanced the online participation of shareholders. Shareholders were encouraged to raise questions, suggestions or comments vide typed-text before or during the AGM. All the questions raised by the shareholders were responded.</p> <p>The Administrative Guide which set out all the details on the online AGM was published on the Company's corporate website to facilitate the shareholders' registration in order to participate in fully virtual AGM. The RPV facilities enabled the shareholders to exercise their right as members of the Company to participate and vote in the Seventh AGM.</p> <p>In addition, submission of e-Proxy Form is available on the RPV facilities for shareholders who were unable to deposit the hardcopy of the proxy forms to appoint proxies.</p> <p>During the Seventh AGM, all resolutions were put to vote by means of electronic poll voting using RPV facilities. An independent scrutineer was appointed to validate the poll results. Voting results of the AGM were announced by being displayed on the screen to shareholders/proxies after all resolutions were verified by the scrutineer.</p> <p>Similarly, the Company will hold its AGM 2023 fully virtual by using RPV facilities. The virtual AGM is in compliance with the Companies Act 2016 and other legal requirements.</p>

	<p>Tricor had adopted cyber hygiene practices to ensure data privacy and security to prevent cyber threats. To this, Tricor had confirmed that it has implemented an Information Technology and Information Security policy, endpoint controls and data classification for cyber hygiene practices of the staff. Stress test and penetration testing had been performed on TIIH Online to test its resiliency. To provide further assurance to the public, Tricor Malaysia is ISO27001 certified in October 2021. In addition to this, the TIIH Online is hosted on a secure cloud platform and the data centre is ISO27001 certified.</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

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 :	<p>The Chairman recognises the importance of general meetings as the primary platform for two-way communication between Board, senior Management and shareholders for a meaningful interactions, effective communication and constructive feedback from the shareholders.</p> <p>During the Seventh AGM, the EVC gave a brief overview on the financial and operational highlights, tender book, future prospects, overall growth and future strategy.</p> <p>Shareholders were given ample time to submit questions relating to resolutions tabled at the Seventh AGM or any questions relating to financial performance/prospect of the Company prior to or during the AGM. Real time submission of typed texts via RPV facilities provided by Tricor served as a primary channel of communication. There were a total of two (2) questions received and well attended by the EVC during the Seventh 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 13.5

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

Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.

Application	:	Applied
Explanation on application of the practice	:	<p>Tricor was engaged to provide the audio and visual support services to broadcast the proceedings of the Seventh AGM virtually. It was live streamed for access via TIH Online website at https://tiah.online.</p> <p>The Company acknowledged the importance of having a meaningful engagement with the shareholders. Henceforth, the Board has engaged Tricor as the Poll Administrator as Tricor has vast experiences in conducting fully virtual meeting using RPV facilities. Tricor had verified the eligibility of shareholders/corporate representatives/proxies to attend the Seventh AGM based on the General Meeting Record of Depositors as at 1 June 2022 and upon the cut-off date and time for proxy form submission. This online platform was secured exclusively for the members with approved registration for the RPV at the Seventh AGM.</p> <p>Such meeting platform also allows meeting participants to join the AGM remotely by using different electronic devices such as smartphones, tablets or computers as well as viewing live webcast of the meeting.</p> <p>Tricor had also introduced an application called the Moderator Link, as part of its new services to assist the user in tracking the questions posed by the shareholders during AGM. Questions posed by shareholders via TIH Online website had been captured and transmitted to the Company for action and response, prior to and during the Seventh AGM. Similarly, Moderator Link had been used by the Company for the same question to be made visible to all meeting participants.</p> <p>With the use of Moderator LINK, the EVC who has an in-depth knowledge and good understanding of the Company's business and operation, managed the Q&A session smoothly and efficiently. Each question was displayed on the screen whenever the EVC provided his</p>

	responses to respective questions accordingly and in an orderly manner.	
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	:	Minutes of the Seventh AGM was prepared and published on the Company's corporate website on 20 July 2022, i.e. no later than 30 business days after the AGM held on 8 June 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	:	

**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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