

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0233  
**COMPANY NAME** : Pekat Group Berhad  
**FINANCIAL YEAR** : December 31, 2021

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("the Board") is collectively responsible to oversee Pekat Group Berhad and its subsidiaries' ("the Group") risk management strategic planning, succession planning, sustainability governance, financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met. The Board provides the necessary leadership to enable the Group's business objectives are met within the framework of risk management and internal controls as described in the Corporate Governance Overview Statement ("CG Statement") in the Company's Annual Report for the financial year ended 31 December 2021 ("FYE 2021") ("AR 2021").</p> <p>The Board's role, responsibilities, governance and effectiveness are set out in the Board Charter which was reviewed and approved by the Board on 17 September 2020. In discharging its fiduciary duties, the Board has also delegated specific tasks to the Board Committees, all of which operate within their respective Terms of Reference.</p> <p>The Board assumes, amongst others, the following responsibilities: -</p> <ul style="list-style-type: none"><li>• To provide leadership and oversee the overall conduct of the Group's businesses to ensure that the businesses are being properly managed;</li><li>• To review and adopt strategic plans for the Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;</li><li>• To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard the Group's reputation, and the employees and assets and to ensure compliance with applicable laws and regulations;</li></ul>

	<ul style="list-style-type: none"> <li>• To ensure that the Group has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code on Corporate Governance;</li> <li>• To review the effectiveness and implementation of anti-bribery and anti-corruption policy and framework;</li> <li>• To review and approve the Group’s annual business plans, financial statements and annual reports;</li> <li>• To monitor the relationship between the Group and the management, shareholders and stakeholders, and to develop and implement an investor relations program or shareholders’ communications policy for the Group; and</li> <li>• To appoint the Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by the Board committees and deliberate on the recommendations thereon.</li> </ul> <p>The Board Charter serves as a reference point for Board activities. It is designed to provide guidance and clarity for the Directors and Management with regard to the roles of the Board and its Committees, the role of the Chief Executive Officer (“CEO”), the requirements of Directors in carrying out their roles and in discharging their duties towards the Company as well as the Board’s operating practices. The Board has also adopted a Code of Ethics and Conduct which is incorporated in the Board Charter of the Company. The Board Charter is available at the Company’s website at <a href="https://ir2.chartnexus.com/pekat/corporate-governance">https://ir2.chartnexus.com/pekat/corporate-governance</a>.</p> <p>In discharging its responsibilities, the Board is guided by the Code of Ethics and principles contained in the Code. The Directors of the Company have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly within the Group.</p>
<b>Explanation for departure</b>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure</b>	

<b>Timeframe</b>	:		
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## Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board, Mr. Kok Kong Chin is an Independent Non-Executive Chairman and is primarily responsible for the leadership, effectiveness, conduct and governance of the Board and the overall conduct of the Group. The Chairman is committed to good corporate governance practices and has been leading the Board towards high performing culture.</p> <p>The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter. The responsibilities of the Chairman, amongst others, are as follows:</p> <ul style="list-style-type: none"><li>• Taking a leading role in establishing an effective corporate governance system and practices;</li><li>• Ensuring that prior to new appointments to the Board, an assessment is undertaken on the candidate, which may include a competency and behavioural analysis of the candidate;</li><li>• Ensuring that the Board and senior executive succession planning is considered on an ongoing basis;</li><li>• Arranging the regular evaluation of the performance of the Board, its committees and individual Directors and discussing the performance assessment with individual Directors and Committee Chairmen;</li><li>• Setting the agenda for each Board meeting together with the Company Secretary and the CEO. Other Directors and key members of Management may also be consulted;</li><li>• Ensuring the provision of accurate, complete, timely and clear information to the Directors;</li><li>• Leading Board meetings and discussions;</li><li>• Managing Boardroom dynamics by promoting a culture of openness and debate; encouraging active participation and allowing dissenting views to be freely expressed;</li></ul>

	<ul style="list-style-type: none"> <li>• Ensuring all Directors are properly briefed on issues arising at Board meetings in a timely manner;</li> </ul> <p>Together with the CEO, represents the Company and/or Group to external groups such as shareholders, creditors, consumer groups, local communities and federal, state, local government and other stakeholders.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Chairman – Mr. Kok Kong Chin Chief Executive Officer – Mr. Chin Soo Mau</p> <p>The positions of Chairman and Chief Executive Officer (“CEO”) are separated, clearly defined and are held by two different individuals. There is a clear division of responsibility between the Chairman and the CEO in order to provide for balance of power and authority, such that no one individual has unfettered decision-making powers.</p> <p>The Chairman is responsible for the orderly conduct and effectiveness of the Board in addition to facilitate constructive deliberation of matters in hand, whereas the CEO is to lead the management of the Company and has overall responsibility for the operating units and the implementation of the Board’s policies and decisions.</p> <p>The CEO of the Company remains accountable to the Board for the overall organisation, management, and staffing of the Company and/or Group and for the procedures in financial and other matters, including conduct and discipline.</p> <p>The respective duties and responsibilities of the Chairman and the CEO are as set out in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: Mr. Kok Kong Chin, the Chairman of the Board has relinquished his chairmanship in Nominating Committee and resigned from membership in the Audit and Risk Management Committee respectively on 30 September 2021. Accordingly, he neither holds any position nor is a member of the Audit and Risk Management Committee ("ARMC"), Nominating Committee ("NC") and Remuneration Committee ("RC") as at 31 December 2021.  However, during FY2021, the Chairman and Executive Directors who are not members of ARMC, NC & RC have been invited to participate in the committees' meetings (for the purpose of understanding of business operations and sharing of experiences), but the invitees do not have voting rights or influence on the decision-making process of the meetings.
<b>Explanation for departure</b>	:  
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	:  
<b>Timeframe</b>	:  



## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is supported by two qualified and competent external Company Secretaries. They are member of the Malaysian Institute of Chartered Secretaries and Administrators and Licensed Company Secretary of Companies Commission of Malaysia. Both of them are qualified Company Secretaries as per Section 235(2) of the Companies Act, 2016.</p> <p>The Board acknowledges that the Company Secretaries play an important role and will ensure that the Company Secretaries fulfil the functions for which they have been appointed such as:</p> <ul style="list-style-type: none"><li>• To attend the Board and Board Committees meeting as well as to ensure that the Board meetings procedures are followed and proper recording of minutes</li><li>• To ensure the proper maintenance of statutory registers and records</li><li>• To prepare the relevant resolutions</li></ul> <p>The Company Secretaries also play an advisory role in supporting the Board and the Board Committees on issues relating to compliance with laws, rules, procedures and regulations and their new updates and changes affecting the Company, particularly, Companies Act 2016, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Malaysian Code on Corporate Governance ("MCCG"), Company's Constitution and Board Charter.</p> <p>The Company Secretaries also constantly monitor Directors' training programmes to address the training needs of the Directors.</p> <p>The Company Secretaries had on 25 June 2021 organised a training for the Board on "Understanding Listing Requirements &amp; Guidance On Corporate Disclosure Policy With Case Studies" to keep the Board informed on the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and guidance to good corporate governance practices upon the listing of the Company.</p> <p>During the financial year under review, the Board and Board Committees' meeting were properly convened, and accurate and</p>

	<p>proper records of the proceedings and resolutions passed were taken and maintained in the statutory records of the Company.</p> <p>Overall, the Board is satisfied with the service and support rendered by our Company Secretaries to the Board in the discharge of their functions.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>To facilitate the Directors' time planning, the annual Board and Board Committees' meetings calendar was prepared in advance for each new calendar year by the Company Secretaries. The calendar provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the Annual General Meeting ("AGM"). The closed periods for dealings in securities by Directors and Principal Officers based on the scheduled dates of meetings for making announcements of the Group's quarterly results were also provided therein.</p> <p>The notice and meeting papers are generally circulated to the Board members at least five (5) calendar days prior to the dates of meetings. This is to ensure sufficient time for all Board members to review and deliberate on such matters accordingly and, where required, to obtain further information and clarification to facilitate well-informed decision making during the meeting.</p> <p>The deliberations and conclusions of matters discussed in the Board or Board Committees meetings are duly recorded in the minutes of meetings. The draft minutes of which is circulated for the Board and Committee Chairman's review within a reasonable timeframe after the meeting. The minutes of meeting accurately captured the deliberations and decisions of the Board and/or the Board Committees, including whether any Director abstains from voting or deliberating on a particular matter.</p> <p>All the records of proceedings and resolutions passed are kept at the registered office of the Company.</p> <p>For matters which require the Board's decision on urgent basis outside of Board Meetings, board papers along with Directors' Written Resolution will be circulated for the Board's consideration. All written resolutions approved by the Board will be tabled for notation at the next Board Meeting.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As part of governance process, the Board has formalised and adopted a Board Charter. The Board Charter was adopted on 17 September 2020.</p> <p>The Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.</p> <p>The Board Charter is intended to identify the role, structure and processes related to key governance activities of the Board. It also serves as a reference point for Board activities. It is designed to provide guidance and clarity for Directors and Management with regard to the roles of the Board and its Committees, the role of the CEO, the requirements of Directors in carrying out their roles and in discharging their duties towards the Company as well as the Board's operating practices.</p> <p>The Board Charter will be reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.</p> <p>The Board Charter is available on the Company's website at <a href="https://ir2.chartnexus.com/pekat/corporate-governance">https://ir2.chartnexus.com/pekat/corporate-governance</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted the Code of Ethics and Conduct which is incorporated in the Board Charter of the Company.</p> <p>The Code of Ethics and Conduct is to be observed by all Directors and employees of the Group.</p> <p>The Board had on 15 October 2020 incorporated the Anti-Bribery and Anti- Corruption Policies and Procedures to be observed by the Directors and employees of the Group under the Code of Ethics and Conduct.</p> <p>The Board will review the Code of Ethics and Conduct from time to time to ensure that it continues to remain relevant and appropriate.</p> <p>The Directors continue to observe the Code of Ethics and Conduct based on the code of conduct expected of directors of companies as set out in the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.</p> <p>The Code of Ethics and the Anti-Bribery and Anti-Corruption Policies and Procedures are available on the Company's website at <a href="https://ir2.chartnexus.com/pekat/corporate-governance">https://ir2.chartnexus.com/pekat/corporate-governance</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has also adopted a Whistle Blowing Policy to provide avenue for all employees of the Group as well as members of the public to raise concerns and disclose any improper conduct within the Group and to take appropriate actions to resolve them effectively.</p> <p>The Board had on 15 October 2020 reviewed and approved the revision to the Whistle Blowing Policy which includes the relevant amendments in relation to anti-corruption measures.</p> <p>The Whistle Blowing Policy is available on the Company's website at <a href="https://ir2.chartnexus.com/pekat/corporate-governance">https://ir2.chartnexus.com/pekat/corporate-governance</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board routinely makes sustainability in the Company an agenda in the board meetings. Sufficient time has been allocated in each meeting for the discussion on the Company's sustainability, focusing on the Company's sustainability strategies, material matters and setting targets for each of the material matters.</p> <p>With the inputs and suggestions from Independent Directors, the material sustainability matters are set by the Chief Officers of the Company assisted by a sustainability working group consisting of respective head of departments taking into consideration the Company's mission and vision.</p> <p>Members of the sustainability working group attended series of workshops named "Sustainability Accelerator Programme" organised by Malaysian Investor Relations Association with the objectives to understand and to incorporate business sustainability at every possible level within the organisation.</p> <p>By having a greater in-depth understanding on sustainability, the Board, with the assistance from the senior management as well as the sustainability working group, is able to carry out their duties in a more effective and efficient manner.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company reports its sustainability strategies, priorities, targets and performance to both internal and external stakeholders annually through the Sustainability Statement disclosed in the Annual Reports of the Company.</p> <p>In terms of the communications with stakeholders throughout the year, the Company engages them through various modes of engagement to ensure effective information flows in between stakeholders and the Company on their concerns as well as the important and relevant matters to the Company’s businesses. The details of the modes of engagement with each stakeholder is presented in the Sustainability Statement in the Company’s Annual Report 2021.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board, through the assistance of NC and Company Secretaries, assesses the training programmes attended by each Director during the financial year to ensure they are kept abreast of the latest developments in the industry, as well as emerging sustainability issues that are relevant to the Group.  During financial year 2021, the Directors attended trainings and programmes including those related to topic on sustainability issues to keep themselves updated with the recent developments.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company has yet to take the performance in addressing sustainability risk and opportunities into the parameters of performance evaluation of the Board and KSM. The existing performance evaluation focuses on the independence, competency, qualification and effectiveness of the Board and KSM in discharging their duties and responsibilities in the Company and daily business operations within the Group respectively.	
		The Board will continue to improve the performance evaluation criteria by including the performance of addressing sustainability risks and opportunities moving forward.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.*

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Nominating Committee of the Company was new and the tenure of the directors is reviewed on an annual basis. Accordingly, the re-election would be conducted if the committee feels that the performance or contribution is not at the satisfactory level. The directors conducted their yearly Self and Peer Assessment in March 2022 and the results were reviewed by the NC in April 2022. The assessment was based on the performance on each of the directors, the Board as a whole, the Board Committees, the Chairman and the CEO. All directors, the Board, the Board Committees, the Chairman and the CEO obtained above satisfactory ratings in the 2021 Director's Self and Peer Assessment exercise.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board currently consists of eight (8) Directors. Half (1/2) of the Board comprises Independent Directors, as follows:</p> <p>a) one (1) Independent Non-Executive Chairman;  b) three (3) Non-Independent Executive Directors;  c) one (1) Non-Independent Non-Executive Director; and  d) three (3) Independent Non-Executive Directors.</p> <p>With the current composition, the Board feels that its members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied															
<b>Explanation on application of the practice</b>	:	<p>Currently, none of the Independent Directors has served the Company for a cumulative term of nine (9) years. As at 31 December 2021, the tenure of the Independent Non-Executive Directors of the Company is as follows:</p> <table border="1"><thead><tr><th>Directors</th><th>Date of Appointment</th><th>1-3 years</th></tr></thead><tbody><tr><td>Kok Kong Chin</td><td>17 September 2020</td><td>✓</td></tr><tr><td>Ong Keng Siew</td><td>7 May 2019</td><td>✓</td></tr><tr><td>Yeong Siew Lee</td><td>17 September 2020</td><td>✓</td></tr><tr><td>Datin Shelina Binti Razaly Wahi</td><td>17 September 2020</td><td>✓</td></tr></tbody></table> <p>The Board is mindful of the recommendation in Practice 4.2 of the MCCG that the tenure of an independent director does not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an independent director may re-designate to a non-independent director and continue to serve on the Board. In the event that the Board intends to retain an independent director after he/she has served a cumulative term of nine (9) years, justification and annual shareholders' approval are required.</p>	Directors	Date of Appointment	1-3 years	Kok Kong Chin	17 September 2020	✓	Ong Keng Siew	7 May 2019	✓	Yeong Siew Lee	17 September 2020	✓	Datin Shelina Binti Razaly Wahi	17 September 2020	✓
Directors	Date of Appointment	1-3 years															
Kok Kong Chin	17 September 2020	✓															
Ong Keng Siew	7 May 2019	✓															
Yeong Siew Lee	17 September 2020	✓															
Datin Shelina Binti Razaly Wahi	17 September 2020	✓															
<b>Explanation for departure</b>	:																
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																	
<b>Measure</b>	:																
<b>Timeframe</b>	:																

**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.

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at the Board and Senior Management levels.</p> <p>The Nominating Committee (“NC”) is responsible to lead the process for the nomination of new candidate for appointment and making the necessary recommendations.</p> <p>In line with the best practices of the MCCG and the gained attention of boardroom diversity as an important element of a well-functioned corporation, the Board shall through the NC accord due consideration to inculcate diversity policy in the boardroom and workplace which encapsulates not only to gender, but also age and ethnicity.</p> <p>The Terms of Reference of the NC is available on the Company’s website at <a href="https://ir2.chartnexus.com/pekat/corporate-governance">https://ir2.chartnexus.com/pekat/corporate-governance</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC of the Company is responsible to oversee the selection and assessment of Directors.</p> <p>The policies and procedures for recruitment and appointment of Directors are guided by the Terms of Reference of the NC.</p> <p>The NC leverages on various sources and gain access to a wider pool of potential candidates. Besides the recommendation from the existing Board members, management and/or major shareholders, the NC also refers to potential candidates from the industry taking into consideration his/her education, skills and experience.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	A statement of reappointment of the Directors and the reasons have been stated in Pekat's Notice of the Third Annual General Meeting to be held on 9 June 2022	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NC is chaired by an Independent Non-Executive Director, Datin Shelina Binti Razaly Wahy.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board currently has two (2) women directors, namely Datin Shelina Binti Razaly Wahid and Ms. Yeong Siew Lee, which represents 25% of the Board members. The Company intends to appoint an additional woman director during financial year ending 31 December 2022.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board does not set any specific target on the composition in terms of gender, age or ethnic of its Board members. However, the Board is well represented by individuals drawn from distinctly diverse professional backgrounds. The evaluation of the suitability of candidates as the new Board member is based on the candidates’ competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company. The NC would ensure that steps will be undertaken to ensure that suitable women candidates are sought from various sources, should the need arise.</p> <p>The Board is supportive of gender diversity in the Board composition as recommended by MCCG and will endeavour to continuously identify and assess suitably qualified female candidates for nomination.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <p>The NC assessed and evaluated the performance and effectiveness of the Board and Board Committees as a whole and contribution of each individual Director.</p> <p>In evaluating performance of Non-Executive Directors, certain criteria were established and adopted, amongst others, attendance at Board or Committee meetings, adequate preparation for Board and/or Committee meetings, regular contribution to Board or Committee meetings, personal input to the role and other contributions to the Board or Committee as a whole.</p> <p>In evaluating performance of Executive Directors, assessment was carried out against diverse key performance indicators, amongst others, financial, strategic, operations management and business plans, product development, conformance and compliance, shareholders/ investors' relations, employee training and development, succession planning and personal input to the role.</p> <p>The evaluations undertaken by the NC during the FYE 2021 are summarised below:</p> <ul style="list-style-type: none"><li>• Evaluated the balance of skills, knowledge and experience of the Board. Carried out the assessment and rating of each Director's performances against the criteria as set out in the annual assessment form. The performance of Non-Executive Directors was also carefully considered, including whether he/she could devote sufficient time to the role.</li><li>• Performed an evaluation exercise of the Board and its Committees as a whole with the objective of assessing its effectiveness.</li></ul>

	<ul style="list-style-type: none"> <li>Assessed and recommended to the Board for approval on the re-election of Directors who were due to retire at the forthcoming AGM pursuant to the Company's Constitution.</li> <li>Reviewed and assessed the independence of the Independent Directors of the Company.</li> </ul>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had, through the Remuneration Committee (“RC”), established a formal and transparent Remuneration Policy to attract and retain Directors and Senior Management of the Company.</p> <p>The Board will determine the level of remuneration of Board Members, taking into consideration the recommendations of the RC for executive Board Members and/or the CEO. The remuneration of the CEO and Executive Directors are rewarded on performance based.</p> <p>Non-Executive Directors of the Company will be paid a basic fee as ordinary remuneration based on their responsibilities in Committees and the Board, their attendance and/or special skills and expertise they bring to the Board. The fee shall be a fixed sum and not based on commission or percentage of profits or turnover.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The RC is principally responsible for the development and review of the remuneration policy and packages of the CEO and Executive Directors including Board Members, where necessary, and subsequently make recommendations to the Board on specific adjustments in remuneration to commensurate the respective contributions of the Executive Directors.</p> <p>The RC is also responsible to ensure that the remuneration package and benefits of the Board and the Key Senior Management of the Group are benchmarked with industry standards in light of the Group's performance in the industry.</p> <p>Each Director shall abstain from the deliberation and voting on matters pertaining to their own remuneration.</p> <p>The Terms of Reference of RC is accessible on the Group's website, <a href="https://ir2.chartnexus.com/pekat/corporate-governance">https://ir2.chartnexus.com/pekat/corporate-governance</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The detailed disclosure of the Directors' remuneration received during the FYE 2021 on named basis are as follows:

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	Kok Kong Chin	Independent Director	66.0	25.5	-	-	-	-	91.5	66.0	25.5	-	-	-	-	91.5
2	Chin Soo Mau	Executive Director	-	-	-	-	-	-	-	60.0	97.6	534.8	-	-	103.5	795.9
3	Tai Yee Chee	Executive Director	-	-	-	-	-	-	-	60.0	56.0	511.8	-	-	101.1	728.9
4	Wee Chek Aik	Executive Director	-	-	-	-	-	-	-	60.0	56.0	511.8	-	-	100.0	727.8
5	Ong Keng Siew	Independent Director	42.0	18.5	-	-	-	-	60.5	42.0	18.5	-	-	-	60.5	
6	Teh Li King	Non-Executive Non-Independent Director	36.0	15.5	-	-	-	-	51.5	36.0	15.5	-	-	-	51.5	
7	Yeong Siew Lee	Independent Director	42.0	18.5	-	-	-	-	60.5	42.0	18.5	-	-	-	60.5	
8	Datin Shelina Binti Razali Wahi	Independent Director	42.0	17.5	-	-	-	-	59.5	42.0	17.5	-	-	-	59.5	

### 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Due to confidentiality and sensitivity of the remuneration package of Senior Management as well as security concerns, the Board opts not disclose the Senior Management's remuneration components on named basis in the bands of RM50,000.	
		The Board is of the view that the disclosure of the Senior Management's remuneration components would not be in the best interest of the Company given the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues. The Board is of the opinion that the disclosure of Senior Management's aggregated remuneration on unnamed basis in the bands of RM50,000 in the AR 2021 is adequate.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Chairman of the ARMC - Mr. Ong Keng Siew, Independent Non-Executive Director  Chairman of the Board - Mr. Kok Kong Chin, Independent Non-Executive Chairman  The positions of Board Chairman and ARMC Chairman are assumed by different individuals which allows the Board and ARMC to objectively review their findings and recommendations. This is also to ensure that the Board's review of the ARMC's findings and recommendations are not impaired.  The Terms of Reference of the ARMC is available on the Company's website at <a href="https://ir2.chartnexus.com/pekat/corporate-governance">https://ir2.chartnexus.com/pekat/corporate-governance</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The policy which requires 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 is incorporated in the Terms of Reference of the ARMC.</p> <p>No former key audit partners of the present auditors have been appointed to the Board.</p> <p>The Terms of Reference of the ARMC is available at the Company's website at <a href="https://ir2.chartnexus.com/pekat/corporate-governance">https://ir2.chartnexus.com/pekat/corporate-governance</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established a transparent and appropriate relationship with the External Auditors. The External Auditors will periodically highlight significant audit matters to the ARMC and the Board's attention.</p> <p>The ARMC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The ARMC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the ARMC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the ARMC.</p> <p>The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors.</p> <p>The ARMC shall carry out annual performance assessment of the External Auditors and may request the Executive Directors and Chief Financial Officer to provide feedback / inputs for conducting the assessment.</p> <p>The annual evaluation form provides a checklist for the ARMC to carry out a formal review of the independence, effectiveness and efficiency of the External Auditors of the Company that consider amongst others:-</p> <ul style="list-style-type: none"><li>• Adequacy of resources and experience of the audit firm;</li><li>• Quality processes of the audit firm;</li><li>• Competency of audit engagement team;</li><li>• Audit governance and independence;</li><li>• Audit fee, scope and planning; and</li><li>• Audit reports and communications.</li></ul> <p>The ARMC had, with the relevant input from the Chief Financial Officer, assessed the performance of the External Auditors.</p>

	The Board, having considered the ARMC's recommendation and feedback, recommended the re-appointment of the External Auditors for the financial year ending 31 December 2022 for shareholders' approval at the forthcoming AGM.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The ARMC comprises three (3) Non-Executive Directors and all of the ARMC members are Independent 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The ARMC members possess the necessary skills and knowledge to discharge their duties in accordance with the Terms of Reference of the ARMC. The ARMC Chairman and the ARMC Members are financially literate and they are able to understand matters under the purview of the ARMC including the financial reporting process.</p> <p>They are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain their active participation during deliberations.</p> <p>All ARMC members had kept themselves abreast of relevant development in accounting and auditing standards, practices and rules.</p> <p>The training programs, conferences and/or seminars attended by all ARMC members during the financial year under review is set out in the Corporate Governance Overview Statement in AR 2021.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has in place a structured risk management and internal control framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an on-going basis.</p> <p>The Board has received assurances from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group during the FYE 2021.</p> <p>Details of the Group's risk management and internal control framework are set out in the Statement on Risk Management and Internal Control of the AR 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has delegated tasks of monitoring the internal control and risk management systems to the Management team. The systems of internal control and risk management are subjected to regular evaluations on their adequacy and effectiveness by the Management team. Any significant risks and mitigating responses are communicated to the Board through the ARMC to ensure continuing relevance and compliance with current/applicable laws and regulations. The ARMC assists the Board to review the adequacy and effectiveness of the systems of internal control and risk management in the Group and ensures that appropriate methods and procedures are used to obtain the level of assurance required by the Board.</p> <p>Details of the Group's risk management and internal control framework are set out in the Statement on Risk Management and Internal Control of the AR 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The ARMC comprises three (3) Non-Executive Directors and all of the ARMC members are Independent Directors.

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group has outsourced the internal audit function to a professional firm, PKF Advisory Sdn. Bhd. The Internal Auditors shall conduct internal audit review periodically in accordance with the internal audit plan approved by the ARMC, so as to assess the adequacy and effectiveness of the governance, risk management and internal controls of the Group.  The outsourced Internal Auditors report directly to the ARMC on the internal audit findings and recommendations. Internal audit function of the Group is further elaborated in the Statement on Risk Management and Internal Control of the AR 2021.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function has been outsourced to an independent professional firm, PKF Advisory Sdn. Bhd. (“Internal Auditors”) to provide independent assurance and serves to assists the Group to provide adequate and effective internal control system and reports directly to the ARMC. The activities of the Internal Auditors were guided by the Annual Internal Audit Plan approved by the ARMC.</p> <p>The audit personnel from the Internal Auditors are free from any relationships or conflicts of interest, which could impair the objectivity and independence.</p> <p>The Internal Auditors use the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control system.</p> <p>The internal auditors make reference to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors”. The Internal Auditors ensures that its staff are professionally guided and trained to develop the appropriate competencies to perform their duties during the internal audit review.</p> <p>The ARMC had performed evaluation on the Internal Auditors for the FYE 2021. The following were some of the criteria reviewed by the ARMC:</p> <ol style="list-style-type: none"><li>a. Adequacy of resources and experience of the internal audit firm;</li><li>b. Quality processes of the internal audit firm;</li><li>c. Competency of the engagement team;</li><li>d. Governance and independence;</li><li>e. Internal audit fee, scope and planning; and</li><li>f. Internal audit reports and communications.</li></ol>

	<p>The ARMC collectively carried out the assessment with the relevant input from the Executive Directors and the Chief Financial Officer.</p> <p>In conclusion, the ARMC was of the view that:</p> <ul style="list-style-type: none"> <li>• The Internal Auditors have sufficient experience and resources to satisfy their terms of reference; and</li> <li>• The Internal Auditors have sufficient resources to adequately deliver quality services to the Group.</li> </ul>	
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

### Intended Outcome

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

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

### Practice 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group recognises the importance of being transparent and accountable to its stakeholders and as such, maintains an active and constructive communication policy that enables the Board to communicate effectively with investors, financial community and the public.</p> <p>The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through Annual Report, quarterly financial results, announcements to Bursa Securities, circulars, Annual and Extraordinary General Meeting and the Company's website so that the shareholders are constantly kept abreast on the Group's progress and developments.</p> <p>The Group has also utilised the information technology to broadly and effectively disseminate information across all external communications, the Group has made available the Quarterly Reports and all other announcements made to Bursa Securities on the Company's website, <a href="https://ir2.chartnexus.com/pekat/index">https://ir2.chartnexus.com/pekat/index</a>, where shareholders can access information under the 'Investor Relations' tab.</p> <p>With the progressive interest and heightened investor awareness on the greater need for accountability and transparency, the Board places great importance in maintaining active dialogue and effective communication with shareholders and investors to enable them to make informed investment decisions. As part of the Group's commitment toward this objective, experienced Senior Management personnel are directly involved in the Group's investor relations activities. With the active involvement of the Senior Management personnel, the investment community is assured of views and information on the Group that is appropriate, accurate and timely.</p>
<b>Explanation for departure</b>	:	



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

<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Not applicable – Not a Large Company	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not required to apply this practice as it is not a large company as defined in the MCCG 2021.	
		Corporate information is disseminated via the Company's website and announcements are published on the website of Bursa Malaysia Securities Berhad. At present, the Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions. The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects. Components such as the Management and Discussion Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, as well as the Sustainability Statement, form an integral part of the non-financial information. Once the level of maturity of non-financial reporting practices is adequate and able to comply with global recognised integrated reporting standards, the Company will implement this as soon as it is practicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Third AGM ("3rd AGM") of the Company is scheduled to be held on 9 June 2022 and the Notice together with the AR 2021 was sent to the shareholders on 29 April 2022, which is more than 28 days prior to the date of the 3rd AGM.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All Directors attended the 2nd AGM held on 28 May 2021 to engage directly with shareholders and be accountable for their stewardship of the Company.</p> <p>The participation of shareholders at general meetings on clarifications of pertinent and relevant information and execution of voting rights are encouraged.</p> <p>During the proceedings of the 2nd AGM, the CEO presented and briefed the shareholders on the Group's progress of the financial performance of the Group over the past years and its prospects. Followed by the presentation by the CEO, the Chairman also invited the shareholders to raise questions pertaining to the Company's audited financial statements and other agendas tabled for approval at the meeting during Q&amp;A session.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 2nd AGM was held on a fully virtual basis and entirely via remote participation and voting (“RPV”) on 28 May 2021.</p> <p><u>Remote shareholders’ participation in General Meetings</u> Shareholders are able to attend, speak (including posing questions to the Company/Board of Directors) and vote remotely at the AGM &amp; EGM without being physically present at the meeting venue. Shareholders may also appoint proxies to participate on his/her behalf by submitting the duly executed proxy form to the Company’ share registrar in hard copy or by electronic means.</p> <p><u>Voting in absentia</u> For shareholders who are unable to attend the meetings remotely, they may exercise their voting rights by appointing the Chairman of the meeting as his/her proxy with pre-determined proxy form.</p> <p>Shareholders will be allowed to cast their vote via an online platform at the time of the meeting until a time when the Chairman of the meeting announces the completion of the voting session.</p> <p>For the forthcoming 3rd AGM, the Company will continue to leverage on the existing technology and conduct the AGM virtually.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: The Company held its 2nd AGM virtually on 28 May 2021. The Chairman chaired the meeting in a manner which encourage participation and interaction. During the proceedings of the 2nd AGM, the Chairman invited the Chief Executive Officer to give presentation on the financial performance and the Group's prospects. The Chairman invited shareholders to Q&A session to raise questions after the presentation and the Chief Executive Officer responded to every query that were raised by shareholders.
<b>Explanation for departure</b>	:  
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	:  
<b>Timeframe</b>	:  

### Intended Outcome

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

### Practice 13.5

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

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	A virtual AGM and EGM will be held on 9 June 2022. The place of meetings for the broadcasting of general meeting is Tricor's meeting room which are equipped with relevant meeting tools.
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

**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>		
<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The minutes of 2nd AGM was circulated to shareholders later than 30 business days after the AGM. However, the management took note of the revised good CG practices and will adhere to this practice in the following financial year.
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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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