

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7234
COMPANY NAME : MESB BERHAD
FINANCIAL YEAR : June 30, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board of Directors ("the Board") is responsible for overall corporate governance, strategic direction, formulation of policies to oversee the business, performance and affairs of the Group, and charting the course of the Group's business operation whilst providing effective advice on Management's performance, risk assessment and controls over business operations.</p> <p>In discharging duties and roles effectively, the Board is guided by the Board Charter, which sets out the principles and guidelines that are to be applied by the Board.</p> <p>The Board has delegated day-to-day management of the Group business to Executive Directors, Chief Executive Officer and Management. Further, to ensure effective discharge of its function and responsibilities, the Board has also delegated specific responsibilities to the following Board Committees within their respective Terms of Reference: -</p> <ul style="list-style-type: none">• Audit Committee ("AC");• Nomination and Remuneration Committee ("NRC"); and• Risk Management Committee ("RMC"). <p>The ultimate responsibility for the final decision on all matters deliberated in these committees, however, lies with the Board. Besides that, the Chairman of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.</p> <p>The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. To discharge the Board's responsibilities, the Board has assumed the following principal roles and responsibilities:</p> |

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| | <ul style="list-style-type: none"> • Overseeing and evaluating the conduct, governance and sustainability of the businesses of the Group. • Reviewing and adopting the overall strategic direction, business plans, annual budgets of the Group, including major capital commitments. • Establishing key performance indicators and ensuring that senior management has the necessary skills and experience for the orderly succession of the board and senior management. • Reviewing and approving of new ventures, major acquisitions and disposal of undertakings and properties. • Identifying principal risks and ensuring implementation of appropriate systems to manage and monitor significant financial and non-financial risks. • Reviewing the adequacy and integrity of the Group’s internal control systems, risk management and management information systems. • Overseeing the development and implementation of the shareholder communications policy for the Company. <p>The Board shall meet at least four (4) times a year. When the need arises, special board meetings will be convened. The Board Committees also meet regularly to discharge their duties.</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

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

Practice 1.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is chaired by En. Saffie Bin Bakar, a Chairman / Senior Independent Non-Executive Director.</p> <p>The Chairman is responsible for providing leadership to the Board, controls the orderly and effective functioning of the Board, ensures the integrity and effectiveness of the governance processes of the Board and consults the Board promptly over any matter that is pertinent to the Company and of concern to the Company.</p> <p>The Chairman's key roles and responsibilities include:</p> <ol style="list-style-type: none">i. To provide leadership to the Board.ii. To oversee the effective discharge of the Board's supervisory role.iii. To facilitate the effective contribution of all Directors.iv. To ensure that quality information to facilitate decision-making is delivered to the Board in a timely manner.v. To ensure Board Meetings and General Meetings comply with good conduct and best practices.vi. To ensure adequate time is allocated during Board Meetings for discussion of issues tabled to the Board for deliberation.vii. To promote constructive and respectful relations among Board members and between the Board and the Management.viii. To conduct and chair Board Meetings and General Meetings of the Company.ix. To brief all the Directors in relation to issues arising at Meetings.x. Together with the Chief Executive Officer ("CEO"), represents the Company and/or Group to external groups such as shareholders, creditors, consumer groups, local communities and federal, state, and local governments. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |

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| Measure | : | | |
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Intended Outcome

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

Practice 1.3

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The positions of Chairman and CEO are held by different individuals. The Chairman and the CEO are not related to each other.</p> <p>The roles and responsibilities of the Chairman, En. Saffie Bin Bakar is distinguished from that of the CEO, Mr. Loke Lee Ping, which are clearly set out in the Board Charter and is made available on the corporate website at www.mesbbhd.com.</p> <p>The Chairman of the Board is responsible for the leadership, effectiveness and conduct of the Board.</p> <p>The CEO, assisted by the Executive Directors and Management, has overall responsibility over the business units and day-to-day management of the Group's business, organisational effectiveness and implementation of Board policies, strategies and decisions. The CEO is responsible for the due execution of strategic goals, effective operation within the Group, and to explain, clarify and inform the Board on matters pertaining to the Group.</p> <p>The distinct and separate roles of the Chairman and the CEO, with a clear division of responsibilities, ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision-making.</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 board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

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| Application | : Applied |
| Explanation on application of the practice | <p>The Board is supported by a qualified and competent Company Secretary. The new Company Secretary was appointed on 9 March 2021 and is a member of the Malaysian Association of Companies Secretaries and is holding a professional certificate as qualified Company Secretary under the Malaysian Companies Act 2016. The Company Secretary possesses over 28 years of experience in corporate secretarial practices and is supported by a team of competent company secretarial personnel.</p> <p>The Company Secretary has, amongst others: -</p> <ul style="list-style-type: none">• together with Management, managed all Board and Board Committee meeting logistics;• attended and recorded minutes of all Board and Board Committee meetings and facilitated Board communications;• advised the Board on its roles and responsibilities;• advised the Board on corporate disclosures and compliance with Company and Securities Commission's regulations and Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad;• managed processes pertaining to the Annual General Meeting ("AGM") and Extraordinary General Meeting of the Company; and• monitored corporate governance developments and advised the Board on governance practices. <p>The Board acknowledges that the Company Secretary plays an important role and will ensure that the Company Secretary fulfills the functions for which she has been appointed.</p> <p>During the financial year ended 30 June 2021 ("FYE 2021"), all Board and Board Committees meetings were properly convened, and accurate and 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 the Company Secretary and her team to the Board in the discharge of her duties and functions.</p> |

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

Intended Outcome

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

Practice 1.5

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Prior to each Board and Board Committees meeting, all Directors receive an agenda and a full set of meeting papers for the agenda items to be discussed before the Board and Board Committees meeting and are given full access to senior management to clarify any matters arising. In most instances, the senior Management is invited to attend the Board meetings to provide insight and to furnish clarification on issues that may be raised by the Board.</p> <p>The Notice of meetings of the Board and Board Committees are sent to the Directors via email at least five (5) business days prior to the meetings. Meeting materials are also circulated to Directors in advance prior to the Board and Board Committee meetings to ensure they have been given sufficient time to prepare for the meetings.</p> <p>In the intervals between scheduled Board and Board Committees meetings, for exceptional matters requiring urgent Board decisions, Board and Board Committees decisions are obtained via additional ad-hoc meetings convened or circular resolutions which are supported with board papers, providing information necessary for the Board and Board Committees' deliberation to ensure the Directors are able to make informed decisions.</p> <p>The deliberations and decisions at Board and Board Committee meetings are well documented in minutes by the Company Secretary, who attends all meetings. The status of actions taken with reference to the previous minutes of meetings is updated in the matters arising for the Board's notation. The minutes are confirmed as a correct record by the Board and Board Committees at the following meeting.</p> <p>All Directors have full and unrestricted access to a timely information about the Group. In addition, the Directors are also empowered to seek independent external professional advice at the expense of the Company, should they consider it necessary in the course of their duties.</p> |
| Explanation for departure | : | |

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

Intended Outcome

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

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

Practice 2.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board Charter serves as a source reference to the Board for matters relating to the Board’s organisation. It also provides guidance to the Board members in the performance of their duties, roles and responsibilities as Directors of the Company. It will also assist the Board in the assessment of its own performance and of its individual Directors.</p> <p>Under the Board Charter, the Board has set out those matters that the Board has reserved to itself for decision making. The Charter also includes the respective functions, duties and responsibilities, composition and structure of the Board and Board processes.</p> <p>The Board Charter was adopted by the Board to facilitate the effective discharge of its duties and responsibilities. The Board Charter sets out the responsibilities reserved to the Board and the functions delegated to Management, including the role, composition and other key processes of the Board.</p> <p>The Board Charter was last reviewed, updated and approved on 22 September 2021 and is published on the Company’s website at www.mesbbhd.com.</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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Board has formalised Ethical standards through the Code of Conduct for Directors and Employees in discharging its oversight role effectively. The Code of Conduct has clearly stated the values and inspiring principles behind the achievement of its business objectives, which are of fundamental importance for the correct operation of its businesses. The Code of Conduct is published on the corporate website at www.mesbbhd.com . | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 3.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board recognises whistleblowing as an important mechanism in the prevention and detection of improper conduct, harassment or corruption in the conduct of the Group's businesses and operations.</p> <p>The Board formalised the Whistleblowing Policy. This is to provide an avenue for all employees and stakeholders to raise genuine concerns about unethical behaviour, malpractice, illegal acts or failure to comply with regulatory requirements without fear of reprisal should they act in good faith when reporting such concerns.</p> <p>The Board will review and update the Whistle Blower Policy as and when necessary to ensure that it remains relevant to the Group's changing business circumstances and/or comply with the applicable laws and regulations.</p> <p>The Whistleblowing Policy is published on Company's website at www.mesbbhd.com.</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 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

| Application | : | Applied | | | | | | | | | | | | | | |
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| Explanation on application of the practice | : | <p>The Company encourages objective and independent deliberation and decision-making.</p> <p>The Board currently has six (6) members as set out in the table below:-</p> <table border="1"><thead><tr><th>Name</th><th>Designation</th></tr></thead><tbody><tr><td>Saffie Bin Bakar</td><td>Chairman/Senior Independent Non-Executive Director</td></tr><tr><td>Loke Lee Ping</td><td>CEO cum Executive Director</td></tr><tr><td>Chua Jin Kau</td><td>Executive Director</td></tr><tr><td>Datuk Wong Sak Kuan (Appointed on 21 December 2020)</td><td>Non-Independent Non-Executive Director</td></tr><tr><td>Tan Yew Kim</td><td>Independent Non-Executive Director</td></tr><tr><td>Lee Kok Heng</td><td>Independent Non-Executive Director</td></tr></tbody></table> <p>There are at least half of the Board comprises Independent Non-Executive Directors.</p> <p>The Independent Non-Executive Directors are persons of high calibre and integrity, provide an independent judgment on the issues of strategy, performance and resource allocation proposed by the management. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.</p> <p>Pursuant to the definition of independence under the MMLR, all of the three (3) Independent Directors have satisfied their independence in the yearly assessment of the Independent Directors for the financial year ended 30 June 2021.</p> | Name | Designation | Saffie Bin Bakar | Chairman/Senior Independent Non-Executive Director | Loke Lee Ping | CEO cum Executive Director | Chua Jin Kau | Executive Director | Datuk Wong Sak Kuan (Appointed on 21 December 2020) | Non-Independent Non-Executive Director | Tan Yew Kim | Independent Non-Executive Director | Lee Kok Heng | Independent Non-Executive Director |
| Name | Designation | | | | | | | | | | | | | | | |
| Saffie Bin Bakar | Chairman/Senior Independent Non-Executive Director | | | | | | | | | | | | | | | |
| Loke Lee Ping | CEO cum Executive Director | | | | | | | | | | | | | | | |
| Chua Jin Kau | Executive Director | | | | | | | | | | | | | | | |
| Datuk Wong Sak Kuan (Appointed on 21 December 2020) | Non-Independent Non-Executive Director | | | | | | | | | | | | | | | |
| Tan Yew Kim | Independent Non-Executive Director | | | | | | | | | | | | | | | |
| Lee Kok Heng | Independent Non-Executive Director | | | | | | | | | | | | | | | |
| Explanation for departure | : | | | | | | | | | | | | | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | | | | | | | | | | | | | | |

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

Intended Outcome

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

Practice 4.2

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 justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

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| Application | : Applied - Two Tier Voting |
| Explanation on application of the practice | <p>The Board is of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by the tenure of service. The extended service should not affect their independence, as they are still able to provide independent judgment, experience and objectivity without being subordinated to operational considerations.</p> <p>En. Saffie Bin Bakar and Mr Tan Yew Kim, an Independent Non-Executive Director of the Company, have served with the Board for cumulatively more than 12 years and 9 years respectively.</p> <p>The Board through the NRC has undertaken relevant assessment on their independence and has recommended that they shall remain as Independent Non-Executive Directors of the Company as they are qualified and their extended tenure can be entrusted to discharge their duties and responsibilities independently and objectively notwithstanding their tenure on the Board.</p> <p>The Board had at the Twenty-Fifth Annual General Meeting ("25th AGM") held on 17 December 2020 sought the shareholders' approval through a two-tier voting process to retain En. Saffie Bin Bakar as Independent Non-Executive Director of the Company.</p> <p>The NRC has reviewed and recommended to the Board for Mr. Tan Yew Kim, who has served the Company for the tenure of more than nine (9) years to continue to serve as an Independent Non-Executive Director of the Company, subject to shareholders' approval at the forthcoming Twenty-Sixth Annual General Meeting ("26th AGM") through a two-tier voting process as well.</p> <p>While for En. Saffie Bin Bakar has expressed his intention not to seek re-election at the 26th AGM and shall retire as Director of the Company at the conclusion of the 26th AGM.</p> |

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

Intended Outcome

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

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

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

Intended Outcome

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

Practice 4.4

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group practices non-discrimination in any form, whether based on age, gender, or cultural background, throughout the organisation.</p> <p>When assessing the suitability of a nominated candidate for appointment to the Board, the NRC will review the Board composition matrix setting out the criteria and the gap and will consider the skill sets, expertise, industry knowledge and the needs of the Company.</p> <p>The NRC is delegated with the responsibility of identifying, assessing and recommending to the Board, candidates for appointment as the Chairman, Director, CEO and Chief Financial Officer (“CFO”). In making its recommendations, to consider the candidates’ age, background, skills, knowledge, expertise and experience, professionalism, integrity and time efficiency and in the case of a candidate for the position of Independent Non-Executive Directors, to evaluate the candidates’ ability, independence and time to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. The results of such evaluation should be explained to the Board.</p> <p>The nomination process may consider utilising independent sources, when necessary.</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 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is supportive of the diversity of the Board and Senior Management team. The Group strictly adheres to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, including the selection of Board members and senior Management. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Group.</p> <p>In the event where a vacancy in the Board arises, the Board, through the NRC, will consider the female representation when suitable candidates are identified. However, the appointment of a new Board member will not be guided solely by gender but will also take into account the skillsets, experience and knowledge of the candidate. The Company's prime responsibility in new appointments is always to select the best candidates available. Hence, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remains a priority.</p> <p>The Board has established and adopted a Gender Diversity Policy on 22 September 2021 which provides a framework for the Company to improve its gender diversity at Board and senior management level.</p> <p>The objectives/principles and measures as set out in the Gender Diversity Policy are summarised as below: -</p> <p><u>Objectives/Principles</u></p> <p>a. The Company acknowledges the importance to promote gender diversity at Board level and will actively work towards having more female Directors on the Board. To avoid any mismatch and ineffective appointment of the female Directors, the Company does not set any specific target for female Directors in this policy.</p> <p>b. In assessing the Board composition and Board effectiveness, the Board shall accord due consideration to gender diversity, required mix of skills, experience, independence and other qualities, including core competencies, commitment, integrity and/or other commitments to the Board.</p> |

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| | <p><u>Measures</u></p> <p>To pursue the objectives of gender diversity, the Board will take into consideration the following measures:</p> <ol style="list-style-type: none"> a. The NRC and the Board shall nominate or appoint a gender diverse Board with a broad spectrum of perspectives, including but not limited to the education background, age, ethnicity, skills, knowledge, expertise, experience, competencies, integrity and/or other commitments that the candidate will bring to complement the Board. b. The NRC is responsible in ensuring that gender diversity objective is adopted in the Board recruitment and succession planning processes. c. The Company shall adopt a more accommodating boardroom culture and environment that is free from discrimination to attract and retain women participation at the Board level. d. The Company will undertake the following strategies to promote its gender diversity at the Board level: <ul style="list-style-type: none"> • recruiting from a diverse pool of candidates for female Directors; • reviewing succession plans to ensure an appropriate focus on gender diversity; • identifying specific factors to take into account the recruitment and selection processes to encourage gender diversity; and • any other strategies the Board may develop from time to time. <p>The Group has more than 30% women representation in the senior positions within the Group.</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

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

Practice 4.6

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The NRC is tasked to assist the Board to evaluate and recommend candidates for appointments to the Board. The NRC has put in place a process for the selection and nomination of Directors.</p> <p>The Board, through the NRC appraises the composition of the board and believes that the current composition brings the required mix of skills and core competencies for the Board to discharge its duties effectively. New appointees will be considered and evaluated by the NRC based on the qualification, required competencies, skills, experience and expertise, and time commitment to the Board. The NRC will then recommend the candidates to be approved and appointed by the Board.</p> <p>Should there be any new appointment, the NRC will deploy multiple channels to identify the suitable candidates, by the recommendation from the existing Board Directors, major shareholders, senior management, the advisors of the Company and external executive search firms. However, the final decision as to whom shall be appointed remains the responsibility of the Board as a whole.</p> <p>During the financial year ended 30 June 2021, a new Non-Independent Non-Executive Director was appointed to 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 | : | |
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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 4.7

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The NRC is chaired by En Saffie Bin Bakar, a Senior Independent Non-Executive Director. The NRC comprises exclusively three (3) Independent Non-Executive Directors as follows:- <ul style="list-style-type: none">• Saffie Bin Bakar (Chairman)• Tan Yew Kim (Member)• Lee Kok Heng (Member) | |
| 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 5.1

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 and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Through the NRC, the Board has established a formal assessment process which will be carried out annually for evaluation of its own performance and the performance of its committee individual directors. The Board evaluation comprises a Board Assessment, Audit Committee Assessment, an Individual Director Self-Assessment, Non-Executive Chairman Assessment and an Assessment of Independence of the Independent Directors.</p> <p>The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman's roles and responsibilities. As for the Individual Director Self-Assessment, the assessment criteria include a contribution to interaction, quality of input, understanding of role and time commitment.</p> <p>The results of the assessment would form the basis of the NRC's recommendation to the Board for the re-election of the retiring Directors at the next AGM.</p> <p>In addition, the NRC reviews and evaluates the performance of the CFO on an annual basis.</p> <p>The NCR also reviewed the term of office and performance of the AC and each of its members. The NRC and the Board were satisfied with the performance and effectiveness of the AC.</p> <p>Based on the above assessments, the NRC was satisfied with the existing Board composition and was of the view that the Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. All assessments and evaluations carried out by the NRC in the discharge of its functions were properly documented.</p> |
| Explanation for departure | : | |

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|--|---|--|
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| 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 6.1

The board has in place 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 policies and procedures are periodically reviewed and made available on the company's website.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has in place a Remuneration Policy for the Directors and Senior Management which is clear and transparent, designed to support and drive business strategy and long-term objectives of the Group. The overall objective of the Remuneration Policy is to align and balance the interests of the Company's Board of Directors, the Senior Management, the Group and its shareholders, and to attract, motivate and retain qualified members of the Board of Directors and Management in order to support the achievement of strategic long-term and short-term goals of the Group as well as to promote value creation for the benefit of the shareholders.</p> <p>The remuneration policy is made available at our corporate website at www.mesbbhd.com.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.2

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 Board has established a NRC which comprised of Independent Non-Executive Directors, and to assist the Board on matters relating to the remuneration of the Board and senior management.</p> <p>The NRC discharged its responsibilities in remuneration function has set out below:-</p> <ol style="list-style-type: none">i. To review and recommend to the Board the appropriate remuneration packages for Directors of the Company, with or without seeking professional advice;ii. To review and recommend to the Board the fees and benefits payable to the Directors.iii. To assist the Board to formulate policies, guidelines and set composition of various types of components of remuneration such as basic salary, bonus and other benefits in kind for the Directors and key senior management of the Company;iv. To assist the Board to ensure that the remuneration packages and benefits given to the Directors and Key Senior Management are in line with the Company's remuneration policy and complying with all laws, rules, requirements, regulations and guidelines set by the relevant authorities and the Board from time to time;v. To assist the Board to ensure that the remuneration policy put in place are fair and implemented through a transparent process.vi. To assist the Board to ensure that the level of remuneration packages are fairly and appropriately remunerated according to the general market sentiments or conditions. |

| | | |
|---|--|--|
| | <p>vii. To ensure all necessary actions are taken expediently by the Board to offer appropriate rewards, benefits, compensation and remuneration and to ensure that the levels of remuneration are sufficiently attractive to retain Directors and structuring the remuneration packages to link rewards to the individual performance.</p> <p>viii. To carry out any other function that may be delegated by the Board which would be beneficial to the Company and ensures the effective discharge of the Committee’s duties and responsibilities.</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

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 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

| Application : | Applied | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-----------------|-------------------------------------|-------------------------|--------------------------|--------------|-------------------------|--------------|-------------------|-------------|-----------------|-------------------------------------|-------------------------|--------------------------|--------------|-------------------------|--------------|----------------------------|--|--|--|--|--|--|--|--|---------------|----|---|---|---|-----|---|---|------|--------------|----|---|---|---|-----|---|---|------|--------------------------------|--|--|--|--|--|--|--|--|------------------|------|---|---|---|------|---|---|------|---------------------|------|---|---|---|-----|---|---|------|-------------|------|---|---|---|------|---|---|------|--------------|------|---|---|---|------|---|---|------|--------------|------------|----------|----------|----------|-----------|----------|----------|------------|
| Explanation on application of the practice : | <p>The detailed disclosure on named basis for the remuneration of individual Directors for the financial year ended 30 June 2020 are as follow: -</p> <p><u>The Company</u></p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Fees RM'000</th> <th>Salaries RM'000</th> <th>Statutory Contribution Plans RM'000</th> <th>Benefits in Kind RM'000</th> <th>Meeting Allowance RM'000</th> <th>Bonus RM'000</th> <th>Other Emoluments RM'000</th> <th>Total RM'000</th> </tr> </thead> <tbody> <tr> <td colspan="9">Executive Directors</td> </tr> <tr> <td>Loke Lee Ping</td> <td>16</td> <td>-</td> <td>-</td> <td>-</td> <td>6.4</td> <td>-</td> <td>-</td> <td>22.4</td> </tr> <tr> <td>Chua Jin Kau</td> <td>16</td> <td>-</td> <td>-</td> <td>-</td> <td>6.4</td> <td>-</td> <td>-</td> <td>22.4</td> </tr> <tr> <td colspan="9">Non-Executive Directors</td> </tr> <tr> <td>Saffie Bin Bakar</td> <td>30.3</td> <td>-</td> <td>-</td> <td>-</td> <td>10.0</td> <td>-</td> <td>-</td> <td>40.3</td> </tr> <tr> <td>Datuk Wong Sak Kuan</td> <td>10.1</td> <td>-</td> <td>-</td> <td>-</td> <td>2.2</td> <td>-</td> <td>-</td> <td>12.3</td> </tr> <tr> <td>Tan Yew Kim</td> <td>30.3</td> <td>-</td> <td>-</td> <td>-</td> <td>10.0</td> <td>-</td> <td>-</td> <td>40.3</td> </tr> <tr> <td>Lee Kok Heng</td> <td>30.3</td> <td>-</td> <td>-</td> <td>-</td> <td>10.0</td> <td>-</td> <td>-</td> <td>40.3</td> </tr> <tr> <td>TOTAL</td> <td>133</td> <td>-</td> <td>-</td> <td>-</td> <td>45</td> <td>-</td> <td>-</td> <td>178</td> </tr> </tbody> </table> | | | | | | | | Name of Directors | Fees RM'000 | Salaries RM'000 | Statutory Contribution Plans RM'000 | Benefits in Kind RM'000 | Meeting Allowance RM'000 | Bonus RM'000 | Other Emoluments RM'000 | Total RM'000 | Executive Directors | | | | | | | | | Loke Lee Ping | 16 | - | - | - | 6.4 | - | - | 22.4 | Chua Jin Kau | 16 | - | - | - | 6.4 | - | - | 22.4 | Non-Executive Directors | | | | | | | | | Saffie Bin Bakar | 30.3 | - | - | - | 10.0 | - | - | 40.3 | Datuk Wong Sak Kuan | 10.1 | - | - | - | 2.2 | - | - | 12.3 | Tan Yew Kim | 30.3 | - | - | - | 10.0 | - | - | 40.3 | Lee Kok Heng | 30.3 | - | - | - | 10.0 | - | - | 40.3 | TOTAL | 133 | - | - | - | 45 | - | - | 178 |
| Name of Directors | Fees RM'000 | Salaries RM'000 | Statutory Contribution Plans RM'000 | Benefits in Kind RM'000 | Meeting Allowance RM'000 | Bonus RM'000 | Other Emoluments RM'000 | Total RM'000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Executive Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loke Lee Ping | 16 | - | - | - | 6.4 | - | - | 22.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chua Jin Kau | 16 | - | - | - | 6.4 | - | - | 22.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-Executive Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Saffie Bin Bakar | 30.3 | - | - | - | 10.0 | - | - | 40.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Datuk Wong Sak Kuan | 10.1 | - | - | - | 2.2 | - | - | 12.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tan Yew Kim | 30.3 | - | - | - | 10.0 | - | - | 40.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lee Kok Heng | 30.3 | - | - | - | 10.0 | - | - | 40.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL | 133 | - | - | - | 45 | - | - | 178 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| The Group | | | | | | | | |
|--|------------------------|----------------------------|--|--|---|-------------------------|--|-------------------------|
| Name of Directors | Fees RM'000 | Salaries RM'000 | Statutory Contribution Plans RM'000 | Benefits in Kind RM'000 | Meeting Allowance RM'000 | Bonus RM'000 | Other Emoluments RM'000 | Total RM'000 |
| Executive Directors | | | | | | | | |
| Loke Lee Ping | 16.0 | 189.5 | 25.0 | 6.5 | 6.4 | - | - | 243.4 |
| Chua Jin Kau | 16.0 | 47.5 | 2.0 | 6.5 | 6.4 | - | - | 78.4 |
| Non-Executive Directors | | | | | | | | |
| Saffie Bin Bakar | 30.3 | - | - | - | 10.0 | - | - | 40.3 |
| Datuk Wong Sak Kuan | 10.1 | - | - | - | 2.2 | - | - | 12.3 |
| Tan Yew Kim | 30.3 | - | - | - | 10.0 | - | - | 40.3 |
| Lee Kok Heng | 30.3 | - | - | - | 10.0 | - | - | 40.3 |
| TOTAL | 133 | 237 | 27 | 13 | 45 | - | - | 455 |
| 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 7.2

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>Due to confidentiality and sensitivity of the remuneration packages of Senior Management as well as security concerns, the Board opts not to disclose the Senior Management's remuneration components on a named basis in the bands of RM50,000.00.</p> <p>The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Company given that the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.</p> <p>As an alternative, the Board is of the view that the disclosure of Top Senior management's aggregated remuneration on an unnamed basis in the bands of RM50,000 in the Company's Annual Report 2021 is adequate.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : | 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 7.3 - Step Up

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

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Audit Committee is chaired by an Independent Non-Executive Director, Mr. Tan Yew Kim, who is not the Chairman of the Board.</p> <p>The Chairman of the AC of the Company is neither the Chairman of the Board nor other Board Committee's Chairman as our Board acknowledges that the AC being an independent, objective body, it should function as the Company's independent watchdog to ensure the integrity of financial controls, combined assurance and effective financial risk management.</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 8.2

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company recognised the need to uphold the independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the AC of the Company were former key audit partners of the external auditors appointed by the Company. The Company will observe a cooling-off period of at least three (3) years in the event any potential candidate to be appointed as a member of the AC was a key audit partner of the external auditors of the Group.</p> <p>The requirement for a former key audit partner of the external audit firm to observe a cooling off period of at least three (3) years before being appointed as a member of the AC has been incorporated as part of the Terms of Reference of the AC on 22 September 2021.</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 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The AC of the Company is responsible for reviewing, assessing and monitoring the performance, suitability and independence of external auditors.</p> <p>The AC conducted an annual assessment of the suitability and independence of the external auditors, KPMG PLT ("KPMG"), in respect of the financial year under review. The evaluation covered assessment of the audit scope, relationship with external auditors, audit governance and independence, audit communications and audit fee.</p> <p>The AC was satisfied with the overall performance, suitability, objective and independence of the external auditors in terms of their professionalism, quality of services and sufficiency of resources provided by them to the Group.</p> <p>KPMG had also provided written confirmation to the AC that they had been independent throughout the audit engagement in respect of the financial year under review.</p> <p>Having considered all the above criteria, the Board had upon recommendation by the AC, approved the recommendation for the re-appointment of KPMG as external auditors of the Company for the ensuing year for the shareholders' approval at the forthcoming Annual General Meeting.</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 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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|--|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | At present, the AC comprises solely of three (3) Independent Directors and as such, there is a strong and independent element to provide effective oversight for it to function effectively and exercise objective judgements independently. |

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 8.5

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

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The AC assists the Board to review the integrity of the Group's financial statements. The AC further reviews the adequacy and effectiveness of the system of internal controls. The AC was mindful of the introduction of the new financial reporting standards, which was briefed by the External Auditors during the financial year under review.</p> <p>The Chairman of AC is a senior partner of a local public accounting firm and all the members of the AC are encouraged to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. The details of the training attended by the AC members for the financial year ended 30 June 2021 are disclosed in the Annual Report 2021.</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 9.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has overall responsibility for maintaining a system of internal control and risk management that enables the Group to make informed decisions with reasonable assurance of achieving effective and efficient operations and compliance with laws and regulations, as well as with internal procedures and guidelines.</p> <p>The Board has delegated to the RMC with the responsibility to review the risk management and internal control system of the Group for ensuring that risks are identified and monitored. The RMC has in turn required Management to design and implement a risk management and internal control system to manage the Group's material business risks on an ongoing basis, and Management shall confirm to the Board on the effectiveness of these systems.</p> <p>With the assistance of Internal Auditors, the RMC has established a risk management policy approved by the Board. The Policy sets out the governance structure for managing risks, risk appetite and tolerance levels, risk management approach as well as risk factors.</p> <p>The Statement on Risk Management and Internal Control set out in the Annual Report 2021 provides an overview of the internal control within the Group for the financial period under review.</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 9.2

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 recognises the importance of sound risk management and internal control practices for good corporate governance. The Board affirms its responsibility for ensuring the Group's system is able to adequately and effectively manage significant risks. The Group has in place an ongoing process for identifying, evaluating and managing significant risks through a framework that includes a reporting structure. The Group's system of internal control is designed to manage and control risks appropriately, rather than eliminate the risk of failure to achieve business objectives. Due to the inherent limitations in all control systems, these control systems can only provide reasonable and not absolute assurance.</p> <p>The features of the risk management and internal control framework of the Group and its adequacy and effectiveness are set out in the Statement on Risk Management and Internal Control as contained in the Company's Annual Report 2021.</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 9.3 - Step Up

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

| | | |
|--|---|--|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | The RMC has five (5) members, which comprise three (3) are Independent Directors. The RMC is currently chaired by an Independent Director, Mr. Lee Kok Heng. |

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 10.1

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 AC recognises that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness and adequacy of the Group's internal control system.</p> <p>Accordingly, the Company's internal audit function has been outsourced to an independent professional firm, Smart Focus Group Sdn Bhd ("Smart Focus") to assist the AC in discharging its duties and responsibilities in respect of reviewing and assessing the adequacy and effectiveness of the Group's risk management and internal control systems. The Internal Auditors reports directly to the AC, which in turn reports to the Board.</p> <p>In performing its duties, the Internal Auditors has free and unfettered access to information and to meet with any of the department heads or persons in charge.</p> <p>The internal audit function of the Group is effective and remains independent all the time. The internal audit function is set out in the Statement of Risk Management and Internal Control and Audit Committee Report and is disclosed in the Annual Report 2021.</p> <p>The Internal Auditors carried out the internal audit function based on the internal audit plan approved by the AC. The audit findings together with management's response and proposed action plans have been reviewed by AC at its scheduled meetings. In addition, follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.</p> <p>The Internal Auditors communicate regularly and report directly to the AC on their activities based on the approved Annual Internal Audit Plan to ensure their independent status within the Group.</p> <p>The Internal Auditors are also invited to attend the meetings of the AC and Board, whenever required.</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 10.2

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 Company outsourced the internal audit function to Smart Focus and their engagement team is headed by the Assurance Division Director, namely Ms.T.Kanageswari. She graduated from the University of Hertfordshire, the United Kingdom in Finance. She is a Professional Member of the Institute of Internal Auditors Malaysian. She has vast experience and exposure in the Internal Audit field. She was assisted by a team of internal Auditors for all the assignments during the financial period under review. The Internal Auditors are free from any relationship or conflicts of interest which could impair the objectivity and independence of the Internal Audit during the financial review period.</p> <p>Internal Audit Function (“IA”) provides an independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the reviews. IA adopts the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors, the definition of Internal Auditing, Code of Ethics, Practices and Framework in order to ensure standardisation and consistency in providing the assurance services.</p> <p>The information on internal audit functions is disclosed in the Annual Report 2021.</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 11.1

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. As such, the Board consistently ensures prompt and timely dissemination of information to the shareholders and the investors, for them to make informed investment decisions.</p> <p>The supply of clear, comprehensive and timely information to the stakeholders via various disclosures and announcements including quarterly and annual financial results provides stakeholders and investors with up-to-date financial information of the Group. All these announcements and other information such as Corporate Governance, Policies, Charter, Terms of References, a summary of key matters discussed at the Annual General Meeting ("AGM") as well as other corporate information are made available on the Company's website which is accessible to the shareholders, investors and the public.</p> <p>The AGM is the principal forum for dialogue with shareholders. AGM provides an opportunity for shareholders to ask questions on resolutions being proposed and raise concerns, enquiries and comments on the Company's operations and prospect.</p> <p>Shareholders are encouraged to ask questions both about the resolutions being proposed and the Company's operations in general. The Chairman and all other members of the Board, the Management team and Auditors are available to respond to shareholders' questions during the meeting.</p> <p>The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make the necessary arrangement to attend the planned AGM.</p> <p>To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, mesb@mesbbhd.com to which stakeholders can direct their queries or concerns.</p> |

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

Intended Outcome

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 11.2

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

| | | | |
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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Company is classified as "Large Company" as defined under the Malaysian Code on Corporate Governance and hence, has not adopted integrated reporting based on a globally recognised framework. | |
| | | The Board is of the view that the current reporting in the Annual Report 2021 has adequately provided to the shareholders the relevant, complete, concise and comprehensive financial and non-financial information required. The Group continuously enhances its annual report, in order to improve its communication with its stakeholders with respect to the business of the company, its policies on governance, the environment and social responsibility. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 12.1

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Notice of the 25 th AGM was issued by the Company on 30 October 2020, effectively giving shareholders at least 28 days prior to the date of the meeting to give sufficient time to shareholders to review the Annual Report and consider the resolutions for any questions they might wish to raise in the AGM. The notice of the coming 26th AGM of the Company will be sent to the shareholders at least twenty-eight (28) days before the date of AGM this year as well. | |
| 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 12.2

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>At the 25th AGM held on 17 December 2020, all the Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company.</p> <p>In addition to the above, members of the senior Management and external auditors of the Company have also attended and will continue to attend the AGM to respond to the shareholders' queries.</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 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

| | | |
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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company's 25th AGM was held physically at Kuala Lumpur. This venue was easily accessible and was familiar to the shareholders of the Company.</p> <p>The Company has adopted manual polling for 25th AGM and as for voting in absentia and remote shareholders' participation, the existing proxy form authorising proxy(ies) or Chairman of meeting is an alternative measure adopted by the Company.</p> <p>To facilitate the remote shareholders' participation at general meetings, the Company had its first fully virtual Extraordinary General Meeting ("EGM") held entirely via remote participation and voting at the broadcast venue this year and all the Directors at that point of time had attended the EGM of the Company held on 7 April 2021 as well.</p> <p>The Company will also hold its 26th AGM this year on a fully virtual basis and entirely via remote participation and electronic voting. This allows the shareholders to participate in the AGM while at the same time, follows the health guidance issued by the Government of Malaysia of not having a mass gathering and practicing social distancing to curb the spread of COVID-19. The conduct of meetings by way of fully virtual is also strongly encouraged by the Securities Commission Malaysia.</p> <p><u>Remote shareholders' participation in General Meetings</u> Shareholders can attend, participate, speak (including posing questions to the Company/Board of Directors) and vote remotely at the AGM 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's 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 a pre-determined proxy form.</p> |

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| | 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. | |
| 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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