

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0041
COMPANY NAME : Hong Seng Consolidated Berhad (“Hong Seng” or “the Company”)
FINANCIAL YEAR : September 30, 2022

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("the Board") is collectively responsible to oversee and ensure that the conduct of the businesses of Hong Seng and its subsidiaries ("the Group") comply with relevant laws, policies, standards and guidelines applicable to the Group.</p> <p>The Board's role, responsibilities, governance and effectiveness are also as set out in the Board Charter. In discharging its fiduciary duties, the Board has also delegated specific tasks to the Board Committees, all of which operate within respective defined terms of reference.</p> <p>The roles and responsibilities of the Board are as follows:-</p> <ul style="list-style-type: none">(i) Reviewing, approving and monitoring the overall strategic and direction of the Group.(ii) Overseeing and evaluating the conduct and performance of the Group's businesses, including its control and accountability systems.(iii) Identifying and managing principal risks affecting the Group.(iv) Reviewing the adequacy and integrity of the Group's internal control systems, including systems for compliance with applicable laws regulations, rules and guidelines.(v) Approving major capital expenditure, capital management and acquisitions/divestitures.(vi) Ensuring that the statutory accounts of the Company are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements.

	<p>(vii) Ensuring high standards of ethics and corporate behaviour in the conduct of business.</p> <p>(viii) Approving policies relating to investors relations programme and shareholder communication and overseeing stakeholders communications.</p> <p>(ix) Commitment in governing management and providing oversight of the Company, including the appointment of senior management, the implementation of appropriate policies and procedures that govern management conduct, staying abreast with and understand sustainability issues relevant to the Company and its business and together with the Management takes responsibility for the governance of sustainability strategies, priorities and targets; and monitoring of performance and succession planning.</p> <p>(x) Identifying 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.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

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

Practice 1.2

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

Application	: Applied
Explanation on application of the practice	<p>The Chairman of the Board, Dato' Mohamed Suffian Bin Awang holds an Independent Non-Executive position and is primarily responsible to provide leadership at the Board level so that the Board can perform its responsibility effectively and represents the Board to the shareholders and other stakeholders. The Chairman is responsible for ensuring the integrity and effectiveness of the Board and its Committees.</p> <p>The responsibilities of the Chairman, amongst others, are to:</p> <ul style="list-style-type: none">(i) Facilitate all Board meetings and ensure the appropriate level of interaction among Board members, subsidiary Board members and senior management;(ii) Leading the Board in the adoption and implementation of good governance practices in the Company.(iii) Ensure a balance composition of skills, knowledge and experience within the Board and an effective working, reporting and communication mode is present.(iv) Ensure that material matters in respect of the business or governance of the Company or the Group are tabled and ventilated effectively for Board decision making.(v) Ensure all board committee meetings are conducted separately from the main board meeting to enable objective and independent discussion during the meeting.(vi) Monitor the performance of the individual and collective roles of the directors and the Board.(vii) Maintain a regular and constructive dialogue with the Group Managing Director and senior management in respect of all material matters affecting the Company and the Group and consult with the other Board members promptly and appropriately.(viii) Chair all meetings with the shareholders i.e. annual general meeting and extraordinary general meeting.

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

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>Chairman – Dato' Mohamed Suffian Bin Awang ("Dato' Suffian") Group Managing Director ("Group MD") – Dato' Seri Teoh Hai Hin</p> <p>The positions of Chairman and Group MD/Executive Directors ("ED") are distinct and separated to ensure that there is a balance of power and authority. The Chairman, in leading the Board in its collective oversight of the management, is responsible for ensuring the smooth and effective functioning of the Board, while the Group MD/ED is responsible for the day-to-day management of the business and implementation of the Board's policies and decisions.</p> <p>The Group MD/ED lead the management of the Company in making and implementing the day-to-day decisions on the business operations, managing resources and risks in pursuing the corporate objectives of the Group. They bring material and other relevant matters to the Board, motivate employees, and drive change/innovation and growth within the Group.</p> <p>The distinct and separate roles and responsibilities of the Chairman and Group MD/ED are clearly stated in the Board Charter, which is available on the Company's website at https://www.hongseng.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
Application :	Departure
Explanation on application of the practice :	
Explanation for departure :	The Chairman of the Board, Dato' Suffian is not a member of the Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC").
	Dato' Suffian was invited to attend the AC Meetings to provide inputs for the matters discussed during the meetings. However, he did not participate in the decision making of the proposals and matters tabled for approval during the AC Meetings.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>During the FYE 2022, the Board was supported by two (2) qualified and competent Company Secretaries who are the members of Malaysian Institute of Chartered Secretaries and Administrators and possessed the required practicing certificate issued by the Companies Commission of Malaysia.</p> <p>The Company Secretaries support the Board in carrying out its fiduciary duties and stewardship role and play an advisory role to the Board, particularly with regard to compliance with regulatory requirements, guidelines, legislations and the principles of best corporate governance practices.</p> <p>The Company Secretary attends and ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Group.</p> <p>The Company has on 1 October 2022 changed its outsourced corporate secretarial function to Cospec Management Services Sdn. Bhd. ("CMS").</p> <p>The Board is currently supported by the Company Secretary nominated by CMS who is a member of the Malaysian Association of Companies Secretaries. She is holding a professional certificate as a qualified Company Secretary under the Companies Act 2016. She possesses over 29 years of experience in corporate secretarial practices.</p> <p>The Board has unrestricted access to the advice and services of the Company Secretary when performing their duties and discharging their responsibilities.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board understands that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group. The Board ensures that each Director is provided with timely notices. Notice of meeting and meeting materials (including meeting minutes) are usually circulated to the Directors/Board Committee Members seven (7) days before the meeting to enable the Directors to review and consider the agenda items to be discussed and where necessary, to obtain further explanations in order to be fully briefed before the meeting.</p> <p>All Board members have unrestricted access to timely and accurate information in furtherance to their duties and may seek independent professional advice when necessary in discharging their various duties, at the Company's expense. The Independent Directors may also interact directly with, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from the Management, when needed.</p> <p>The Company Secretary(ies) ensures that all Board and Board Committees' meetings are properly convened. Draft meeting minutes are circulated to the chairman of the meeting for review within a reasonable timeframe after the meetings. Meeting minutes record the proceedings of the meeting and resolutions passed by the Board/Board Committees including whether any Director abstains from voting or deliberation on a particular matter.</p> <p>All the records of proceedings and resolutions passed are kept at the registered office of the Company.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised and adopted a Board Charter. The Board Charter was last reviewed, revised and approved by the Board on 20 January 2022. The Board Charter sets out the roles, duties and responsibilities as well as the composition and processes to enable all Board members, to be aware of their duties and responsibilities at all times.</p> <p>The Board Charter serves as a comprehensive guide for prospective or new Board members to understand their roles and responsibilities and the commitment of time and contribution expected of them.</p> <p>The Board Charter will be reviewed periodically (subject to at least once in every 3 years) and updated in accordance with the needs of the Group and any new regulation that may have an impact on the discharge of the Board's responsibilities.</p> <p>The Board Charter is available at the Company's website at https://www.hongseng.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has adopted a Code of Conduct and Ethics which provides guidance to stakeholders on the ethical behaviour to be expected from the Group and sets out the Board's responsibilities as well as the Management's responsibilities to communicate, measure and monitor its values and performance to achieve objectives and to instill values.</p> <p>The Code of Conduct and Ethics is to be observed by all Directors and employees of the Group and will be reviewed by the Board from time to time to ensure that it continues to remain relevant and appropriate.</p> <p>The Code of Conduct and Ethics is available on the Company's website at https://www.hongseng.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has adopted a Whistle Blowing Policy and Procedures to provide a platform for employees, directors, and the others to report serious concerns about risks of wrongful activities or reports of wrongdoing or to raise any concern or suspicious without fear of victimization or recrimination.</p> <p>It also provides a mechanism for genuine concerns raised by individuals to be addressed in a responsible and effective manner and for appropriate action to be taken to ensure that the matter is resolved effectively and within the Group whenever possible.</p> <p>The Whistle Blowing Policy and Procedures is available on the Company's website at https://www.hongseng.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledged the importance of incorporating sustainability considerations into the Company's business and corporate activities, and how sustainability is essential to successful business strategies that could deliver sustainable value to all stakeholders and ultimately boosts the business performance of the Company.</p> <p>The Board together with the Management takes responsibility for the governance of sustainability in the Company, including setting the Company's sustainability strategies, priorities and targets. Performance against these clearly set out targets is communicated to the Company's internal and external stakeholders.</p> <p>As part of the efforts in promoting and building sustainability momentum within the Group, the Group had undertaken the following measures:</p> <ul style="list-style-type: none">(a) Environment – focuses on maximising the use of its resources to help create an impact towards climate change, environmental sustainability and the reduction of waste that is generated from business operations.(b) Economic – regards economic performance to be of crucial importance in achieving sustainable growth. With strong shareholders' backing, the sustainable management of assets and capital is vital to ensure the long-term development of the businesses.(c) Social – be a responsible corporate citizen by constantly re-assessing the Group's activities and business model to ensure a positive impact at the workplace and in the community.(d) Governance – holds the Group to the highest standards in business ethics, principles and Codes of Conduct as part of its

	sustainability agenda by recognising the importance of good corporate governance in the execution of business strategies and in generating lasting shareholder value.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is cognisant of the fact that the Company’s internal and external stakeholders should receive an unfiltered and complete view of the Company’s sustainability strategies, priorities, targets and overall performance. This information should be comprehensive and include information on which stakeholders would be able to assess the Company’s sustainability risks and opportunities.</p> <p>As with preceding years, the Company has produced a Sustainability Statement that forms part of the Annual Report. The report aims to provide stakeholders with a tangible appreciation of the economic, environmental and social determinants that are being embedded within the Company’s operations.</p> <p>Whilst the Company currently does not obtain external assurance specific on its Sustainability Statement, regular audits and/or verifications are conducted by external parties on its operating sites, various policies, processes, and programmes as mentioned in the Sustainability Statement. In addition, in the preparation of this Statement, the Management has undertaken a validation process to verify the accuracy and integrity of the data reported.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through the NC, assessed the training programmes attended by each of the Directors during the financial year to ensure that they keep abreast with the relevant developments in the business environment as well as the relevant regulatory requirements.</p> <p>The training programmes attended by each of the Directors during the FYE 2022 are set out in the Corporate Governance Overview Statements of the Annual Report for the FYE 2022 (“Annual Report 2022”).</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board and the Senior Management have performed their respective roles in addressing material sustainability risks and opportunities.</p> <p>The performance evaluation of the Board in addressing the Group’s strategic and business plans which promote sustainability materials matters was evaluated through the annual Board’s effectiveness evaluation for the FYE 2022.</p> <p>Whereas for the Senior Management team, it is part of their key performance indicators which are reviewed annually.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5- Step Up

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

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 5.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The NC oversees the overall composition of the Board in terms of size, a mix of skills, experience and core competencies, as well as the balance between Executive Directors and Independent Non-Executive Directors.</p> <p>The effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board and the contribution of the Board's various committees will be assessed on an annual basis.</p> <p>The Board is fully aware that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years as recommended by the Malaysian Code on Corporate Governance ("MCCG"). However, if the Board intends to retain a Director who has served as an Independent Director for a cumulative term of more than nine (9) years, the Board must justify its decision and seek the shareholders' approval through a two-tier voting process at a general meeting.</p> <p>The annual re-election of retiring Directors has been contingent on a satisfactory evaluation of the retiring Directors' performance and contribution 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	:	
Timeframe	:	

Intended Outcome

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

Practice 5.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board currently consists of nine (9) Directors as follows:-</p> <ul style="list-style-type: none">• one (1) Independent Non-Executive Chairman;• one (1) Group MD;• three (3) Executive Directors; and• four (4) Independent Non-Executive Directors. <p>The Company complied with Paragraph 15.02 of the Listing Requirements to have at least two (2) directors or one-third (1/3) of the Board, whichever is higher, are independent.</p> <p>The Board composition is also in line with this Practice 5.2 of the MCGG of having at least half of the Board comprising Independent Non-Executive Directors.</p> <p>The presence of Independent Directors ensures that views, consideration, judgment and discretion exercised by the Board in decision making remain objective and independent whilst assuring the interest of other parties such as minority shareholders are fully addressed and adequately protected as well as being accorded with due consideration.</p> <p>The Board is satisfied with the current composition of the Board in providing a check and balance as well as its diversity of perspectives and views in the Board's decision-making process through the composition of Independent Non-Executive Directors on the Board. Each director demonstrating their own skillsets, commitment and functional experiences.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
------------------	---	--	--

Intended Outcome

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

Practice 5.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	There are no Independent Directors serving the Board beyond 9 years.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.4 - Step Up

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

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 5.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximise the effectiveness of the Board.</p> <p>In any appointment, a number of aspects, including but not limited to diversity in skills, experience, age, cultural background and gender have been considered to maintain a diversified Board and Senior Management team, which will help to grow and contribute to better governance within the Group.</p> <p>The NC is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations to the Board. In this respect, the role of the NC is detailed in its Terms of Reference, which is accessible on the Company's website at https://www.hongseng.com.my.</p> <p>In making its recommendations to the Board, the NC considers and assesses the suitability of a new appointment based on objective criteria, including:</p> <ul style="list-style-type: none">• Character and integrity;• Experience and competency;• Time and commitment; and• Independence (for appointment of Independent Directors). <p>The Directors must not hold more than five (5) directorships in listed issuers to enable Directors to have sufficient time to focus and fulfil their roles and responsibilities effectively.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 5.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

Application	:	Departure	
Explanation for departure	:	<p>The primary responsibility of screening, evaluating and nominating new Board member(s) for the appointment is delegated to the NC.</p> <p>The members of the Board are to be appointed in a formal and transparent practice as endorsed by the MCCG. The NC will scrutinise the candidates and recommend the same for the Board’s approval. In discharging this duty, the NC will assess the suitability of an individual by taking into account the individual’s mix of skill, functional knowledge, expertise, experience, professionalism, integrity and/or other commitments that the candidate can bring to complement the Board.</p> <p>In searching for suitable candidates, the NC may receive suggestions from existing board members, management and/or major shareholders.</p> <p>The Board will consider referrals from external sources to identify suitably qualified candidates when the need arises in the future and will not solely rely on recommendations from existing Board members, Management and/or major shareholders.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The performance of retiring Directors recommended for re-election at the 21st Annual General Meeting (“AGM”) have been assessed through the NC annual evaluation (including the independence of the Independent Director) and recommended to the Board for approval.</p> <p>The profiles of the Directors who were due for retirement and offered themselves for re-election, which included the nature of interest with the Company, whichever applicable, were set out in the Annual Report 2021 of the Company.</p> <p>Whilst for the retiring Directors for the forthcoming 22nd AGM, a statement by the Board and NC being satisfied with the performance and effectiveness of the retiring Directors who offered themselves for re-election at the forthcoming 22nd AGM was provided in the notes accompanying the Notice of 22nd AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.8

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the NC is Mr. Yap Kien Ming, an Independent Non-Executive Director of the Company. The details/profile of the NC Chairman is disclosed in the Profile of the Board of Directors of the Annual Report 2022.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.9

The board comprises at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board comprises nine (9) Directors and one (1) is a female Director, representing 11.11% female representation at the Board level.</p> <p>The Board recognises that this diversity acts as a source for fresh perspectives which ultimately benefits the overall deliberations taking place in the boardroom. Although the Company has not reached the 30% women representation target at the Board level, the Board decisions are made objectively in the best interests of the Group taking into account diverse perspectives and insights.</p> <p>The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximize the effectiveness of the Board.</p> <p>Women's representation on the Board and in Senior Management will be taken into consideration when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.</p> <p>As stipulated in the MCCG, the Board is also encouraged to review gender diversity at the Senior Management level. To this end, the Company's Senior Management team is comprised of females in crucial positions such as the Assistant Financial Controller and Senior Finance Manager.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.10

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board recognises the value of developing and increasing the number of women on the Board and Senior Management roles in the Company. The Board had adopted a Gender Diversity Policy which provides an improved employment and career development opportunities for women.</p> <p>The Company will continue to promote diversity in its widest possible sense and the Board and NC remain committed to ensuring that the Company’s policies and practices support this approach with a view to harnessing the potential of its workforce and driving the success of the business.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 6.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>							
Application	: Applied						
Explanation on application of the practice	: <p>The NC assessed and evaluated the performance and effectiveness of the Board and Board Committees as a whole and the contribution of each individual Director.</p> <p>The annual assessment criteria of the Board and Board Committees and individual Directors were last reviewed and updated on 7 November 2022 to stay aligned with the best practices recommended under the MCCG. The areas covered in the aforesaid annual assessment criteria are as follows:-</p> <table border="1"> <thead> <tr> <th>Evaluation</th> <th>Assessment Criteria</th> </tr> </thead> <tbody> <tr> <td>Board and Board Committees as a whole</td> <td> <ul style="list-style-type: none"> • Role of the Chairman and Group MD • Board balance, size and composition • Board structure and procedures • Relationship of the Board to Management • Quality and supply of information to the Board/Board's Committees • Access to information and advice • Accountability for financial reporting, internal control and sustainability risk and opportunities • Relation with Auditors/Shareholders/Investors • Use of Board Committees • Directors' training </td> </tr> <tr> <td>AC</td> <td> <ul style="list-style-type: none"> • Composition and quality • Oversight of the financial reporting process, including internal controls </td> </tr> </tbody> </table>	Evaluation	Assessment Criteria	Board and Board Committees as a whole	<ul style="list-style-type: none"> • Role of the Chairman and Group MD • Board balance, size and composition • Board structure and procedures • Relationship of the Board to Management • Quality and supply of information to the Board/Board's Committees • Access to information and advice • Accountability for financial reporting, internal control and sustainability risk and opportunities • Relation with Auditors/Shareholders/Investors • Use of Board Committees • Directors' training 	AC	<ul style="list-style-type: none"> • Composition and quality • Oversight of the financial reporting process, including internal controls
Evaluation	Assessment Criteria						
Board and Board Committees as a whole	<ul style="list-style-type: none"> • Role of the Chairman and Group MD • Board balance, size and composition • Board structure and procedures • Relationship of the Board to Management • Quality and supply of information to the Board/Board's Committees • Access to information and advice • Accountability for financial reporting, internal control and sustainability risk and opportunities • Relation with Auditors/Shareholders/Investors • Use of Board Committees • Directors' training 						
AC	<ul style="list-style-type: none"> • Composition and quality • Oversight of the financial reporting process, including internal controls 						

		<ul style="list-style-type: none"> • Understanding the business, including risk and control environment • Access to information and advice • Oversight of audit functions • Compliance with corporate governance • External Auditors • Staying abreast on issues • Report and recommendations
	Executive Directors	<ul style="list-style-type: none"> • Financial • Strategic and sustainability • Conformance and compliance • Business acumen/ increasing shareholders' wealth • Succession planning • Personal input to the role
	Non-Executive Director/ Chairman	<ul style="list-style-type: none"> • Attendance at Board and Board Committees' meetings • Adequate preparation for Board and/or Board Committees' meetings/Key responsibilities of the Chairman • Regular contribution to Board/Board Committee meetings • Personal input to the role
<p>The evaluations undertaken by the NC during the FYE 2022 are as summarised below:</p> <p>(a) 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 they could devote sufficient time to the role.</p> <p>(b) Undertaken an effectiveness evaluation exercise of the Board and its Committees as a whole with the objective of assessing its effectiveness.</p> <p>(c) Reviewed and assessed the independence of the Independent Directors of the Company.</p> <p>(d) Reviewed and assessed the performance of AC, NC and RC.</p> <p>(e) Assessed and recommended the re-election of Directors who were due to retire at the AGM pursuant to the Company's Constitution, to the Board for recommendation to the shareholders for approval.</p>		

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

Intended Outcome

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

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had established a formal and transparent Remuneration Policy as a guide for the Board and the RC to determine the remuneration of Directors and/or Senior Management of the Company, which takes into account the demands, complexities and performance of the Company as well as skills and experience required.</p> <p>The Remuneration Policy provides that all Executive Directors and Senior Management are remunerated based on the Group and individual's performances, market conditions and responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees, their attendance and/or special skills and expertise they bring to the Board.</p> <p>The Remuneration Policies and Procedures are available at the Company's website at https://www.hongseng.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 7.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The RC comprises the following members, all being Independent Non-Executive Directors: -</p> <ul style="list-style-type: none">• Tuan Ng Keok Chai, Chairman• Mr. Leong Kam Soon, Member• Mr. Yap Kien Ming, Member <p>The RC is principally responsible for the development and review of the remuneration policy and packages of Directors, where necessary, and subsequently tables their recommendations to the Board on specific adjustments in remuneration (including fees and benefits) to commensurate the contributions of the Directors.</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 the RC is available on the Company's website at https://www.hongseng.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
------------------	---	--	--

Intended Outcome

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure of the Directors' remuneration received during the FYE 2022 on a 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	Dato' Mohamed Suffian Bin Awang	Independent Director	81.29	-	-	-	-	-	81.29	81.29	-	-	-	-	-	81.29
2	Christopher Chan Hooi Guan	Executive Director	-	-	-	-	-	-	-	12.00	60.00	25.00	-	-	-	97.00
3	Lester Chin Kent Lake	Executive Director	-	-	27.50	-	-	4.05	31.55	-	-	60.00	-	-	8.74	68.74
4	Lee Li Chain	Executive Director	-	0.90	13.60	-	-	1.79	16.29	-	0.90	28.10	-	-	3.58	32.58
5	Yap Kien Ming	Independent Director	36.00	-	-	-	-	-	36.00	36.00	-	-	-	-	-	36.00
6	Leong Kam Soon	Independent Director	36.00	-	-	-	-	-	36.00	36.00	-	-	-	-	-	36.00
7	Tuan Ng Keok Chai	Independent Director	36.00	-	-	-	-	-	36.00	36.00	-	-	-	-	-	36.00
8	Dato' Kang Chez Chiang	Independent Director	3.00	-	-	-	-	-	3.00	3.00	-	-	-	-	-	3.00
9	Kenny Khaw Chuan Wah	Executive Director	-	48.00	25.00	-	-	3.23	76.23	7.00	48.00	70.00	-	-	7.67	132.67
10	Chong Koon Meng	Executive Director	-	-	3.75	-	-	0.69	4.44	2.65	-	15.00	-	-	2.13	19.78
11	Dato' Seri Dr. Chen Chaw Min	Independent Director	24.52	3.00	-	-	-	-	27.52	24.52	3.00	-	-	-	-	27.52

Intended Outcome

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

Practice 8.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Not applicable - all members of senior management are members of the board	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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

Intended Outcome

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

Practice 8.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	All Executive Directors are also senior management of the Group. The detailed remuneration of the Executive Directors is disclosed in the Corporate Governance Overview Statement as contained in the Company's Annual Report 2022 and Practice 8.1 of this Corporate Governance Report.

No	Name	Position	Company ('000)					Total
			Salary	Allowance	Bonus	Benefits	Other emoluments	
1	Lester Chin Kent Lake	Executive Director	27.50	-	-	-	4.05	31.55
2	Lee Li Chain	Executive Director	13.60	0.90	-	-	1.79	16.29

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	Chairman of the AC - Mr. Leong Kam Soon, Independent Non-Executive Director Chairman of the Board – Dato' Suffian, Independent Non-Executive Chairman The positions of Board Chairman and AC Chairman assumed by different individuals allow the Board and the AC to objectively review their findings and recommendations. The Terms of Reference of the AC is available at the Company's website at https://www.hongseng.com.my .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group recognises the importance of the independence of its External Auditors and that no possible conflict of interest whatsoever should arise.</p> <p>The Terms of Reference of the AC requires a former partner of the external audit firm of the Company to observe a cooling-off period of at least (3) years before being appointed as a member of the AC.</p> <p>No former partner of the Company's external audit firm has been appointed to the Board/AC.</p> <p>The Terms of Reference of the AC is available at the Company's website at https://www.hongseng.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had established the External Auditors Assessment Policy ("EA Assessment Policy & Procedures") together with an annual performance evaluation form. The EA Assessment Policy is to outline the guidelines and procedures for the AC to review, assess and monitor the performance, suitability and independence of the External Auditors.</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 AC had obtained assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The AC had carried out an annual performance assessment of the External Auditors and requested the Executive Directors and the Finance team to join the assessment.</p> <p>The annual evaluation form provides a checklist for the AC to carry out a formal review of the independence, effectiveness and efficiency of the External Auditors of the Company that consider, among others, the following criteria:-</p> <ul style="list-style-type: none">• Adequacy of resources and experience of the audit firm;• Quality processes of the audit firm;• Competency of audit engagement team;• Audit governance and independence;• Audit fee, scope and planning; and• Audit communications. <p>The Board, upon the recommendation of the AC, had recommended the re-appointment of the External Auditors for the FYE 2023 for shareholders' approval at the forthcoming 22nd AGM.</p>

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted										
Explanation on adoption of the practice	:	<p>The AC comprises four (4) members with all of them being Independent Non-Executive Directors. The composition of the AC is as follows:</p> <table><thead><tr><th><u>Name</u></th><th><u>Designation</u></th></tr></thead><tbody><tr><td>Mr. Leong Kam Soon <i>(Chairman)</i></td><td>Independent Non-Executive Director</td></tr><tr><td>Mr. Yap Kien Ming <i>(Member)</i></td><td>Independent Non-Executive Director</td></tr><tr><td>Tuan Ng Keok Chai <i>(Member)</i></td><td>Independent Non-Executive Director</td></tr><tr><td>Dato' Kang Chez Chiang <i>(Member)</i></td><td>Independent Non-Executive Director</td></tr></tbody></table>	<u>Name</u>	<u>Designation</u>	Mr. Leong Kam Soon <i>(Chairman)</i>	Independent Non-Executive Director	Mr. Yap Kien Ming <i>(Member)</i>	Independent Non-Executive Director	Tuan Ng Keok Chai <i>(Member)</i>	Independent Non-Executive Director	Dato' Kang Chez Chiang <i>(Member)</i>	Independent Non-Executive Director
<u>Name</u>	<u>Designation</u>											
Mr. Leong Kam Soon <i>(Chairman)</i>	Independent Non-Executive Director											
Mr. Yap Kien Ming <i>(Member)</i>	Independent Non-Executive Director											
Tuan Ng Keok Chai <i>(Member)</i>	Independent Non-Executive Director											
Dato' Kang Chez Chiang <i>(Member)</i>	Independent Non-Executive Director											

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>All members of the AC have the necessary skills and knowledge to discharge their duties in accordance with the Terms of Reference of AC. The AC Chairman and a majority of the AC members are financially literate and they are able to understand matters under the purview of the AC including the financial reporting process. The profiles of the members are provided in the Annual Report 2022.</p> <p>The AC Chairman, Mr. Leong Kam Soon, is a member of the Association of Chartered Certified Accountants and the Chartered Institution of Management Accountants. He is also a member of the Malaysian Institution of Accountants. He was the Chief Financial Officer of Stamford College Berhad from 2007 until 2014.</p> <p>The AC has also kept itself abreast of relevant developments in accounting and auditing standards, practices and rules.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. The system of internal control covers not only financial controls but operational and compliance controls and risk management.</p> <p>The Board has delegated the responsibility of reviewing the adequacy and effectiveness of the risk management and internal control systems to the AC.</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 Annual Report 2022.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 10.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its responsibility for reviewing the adequacy and integrity of the Group's risk management and internal control systems; identifying the principal risks in the Group; and establishing an appropriate control environment and framework to manage risks.</p> <p>Key elements of the Group's risk management and internal control systems have been established to facilitate the proper conduct of the Group's businesses.</p> <p>The Board is committed to maintain a strong control structure to facilitate the achievement of the Group's business objectives. Internal controls have been designed to provide reasonable assurance that the likelihood of significant adverse impact on business objectives arising from an event is at an acceptable level to the Group. It is also 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 full features of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control in the Annual Report 2022.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 10.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had established the Internal Auditors Assessment Policy (“IA Assessment Policy”) together with an annual performance evaluation form. The IA Assessment Policy is to outline the guidelines and procedures for the AC to review, assess and monitor the performance, suitability and independence of the Internal Auditors.</p> <p>The Internal Auditors are precluded from providing any services that may impair their independence or conflict with their role as Internal Auditors.</p> <p>The AC obtained assurance from the Internal Auditors confirming that they are, and have been, independent throughout the conduct of the internal audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The AC will carry out an annual performance assessment of the Internal Auditors. The annual evaluation form provides a checklist for the AC to carry out a formal review of the independence, effectiveness and efficiency of the Internal Auditors of the Company, among others, the following were some of the criteria reviewed by the AC:-</p> <ul style="list-style-type: none">• Calibre of the internal audit firm;• Quality of the internal audit engagement team;• Quality of communication and interaction with the internal auditors;• Internal audit scope and quality processes;• Audit Governance and independence; and• Internal audit fee. <p>The internal audit functions and activities carried out during the FYE 2022 are as disclosed in the AC Report of the Annual Report 2022.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 11.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	The internal audit function is outsourced to OAC Consulting Sdn. Bhd. ("OAC"), an independent professional internal audit service provider is manned by professionally qualification and experienced staff. For each internal audit review, a team led by Engagement Director, Mr. Lionel Vernon Yong Nguon Kee and/or Senior Director, Mr. Leonard Lim Weng Leong will be assigned by Internal Audit firm to undertake the review in accordance to the internal audit plan approved by the Audit Committee. The Engagement Director of the firm is a Certified Internal Auditor, United States of America (CIA), a Chartered Accountant (Malaysia), a Member of the Malaysian Institute of Accountants (MIA), a Fellow Member of the Chartered Association of Certified Accountants, United Kingdom (FCCA) and a Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA). The Senior Director of the firm is a Fellow Member of Institute of Public Accountants (FIPA), a Fellow Member of Institute of Financial Accountants (FFA) and a Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA). The Internal Audit firm appointed by the Company is free from any relationships or conflict of interest which could impair their objectivity and independence. The Internal Auditors performed their work by referring to a recognised framework such as the standards recommended by the International Professional Practices Framework of the Institute of Internal Auditors.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company recognises the importance of maintaining transparency and effective communication with the shareholders, stakeholders and investors and to keeping them abreast of all developments concerning the Hong Seng Group. As such, the Board is committed to ensuring timely, accurate and proper dissemination of information on the operations, activities and performance of the Hong Seng Group to its shareholders, stakeholders and investors.</p> <p>In this regard, the Company strictly adheres to the disclosure requirements stipulated in the Listing Requirements and due care is taken to ensure material and market sensitive information are not unduly disclosed before an official announcement is made to Bursa Malaysia Securities Berhad ("Bursa Securities") for public release.</p> <p>Information pertaining to the Group is made available at the Company's website at https://www.hongseng.com.my where shareholders or investors may access information on the Group encompassing corporate information, latest financial results, annual reports, announcements to Bursa Securities, Board Charter, Terms of Reference of Board Committees, Code of Conduct and Code of Ethics.</p> <p>For effective communication with stakeholders, the following personnel has been identified as the investor contact person of the Group:</p> <p>Contact Person : Mr. Anthony Lee Mobile No. : +(6012)-338 3705 Telephone Number : +(603)-7887 1666 Fax Number : +(603)-7881 1766 Email address : enquiry@hongseng.com.my</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 12.2

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

Application	:	Not applicable – Not a Large Company	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 13.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>In order to encourage shareholders' participation and engagement with the Board and senior management effectively in the AGM, the Company sends the Notice of the AGM to its shareholders at least 28 days ahead of the meeting date. The notice of the 21st AGM held on 25 February 2022 was sent to the shareholders on 27 January 2022.</p> <p>In addition, the Board also ensures that the Notice of AGM contains details of resolutions proposed along with background information and explanatory notes that are relevant. The explanation will assist the shareholders in making their decisions and exercising their voting rights.</p> <p>In line with Paragraph 8.29A(1) of the Listing Requirements, all resolutions set out in the notice of general meetings will be put to vote by poll. The Company also appoints an independent scrutineer to validate the vote cast in the general meetings. The outcome of the general meetings will then be announced to Bursa Securities on the same meeting day while the summary of key matters of the annual general meeting, if any, discussed during the said annual general meetings will be posted on the Company website.</p> <p>All notices of general meetings will be advertised in the newspapers, announced to Bursa Securities and made available on the Company's website at https://www.hongseng.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 13.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>All the Directors (save for Dato' Suffian who was absent due to his earlier commitment; Ms. Lee Li Chain and Dato' Kang Chez Chiang, both of whom were appointed on 1 September 2022) attended the 20th AGM, 21st AGM and EGM (collectively "2022 General Meetings") held on 25 February 2022. The Senior Management and External Auditors also attended the AGMs virtually.</p> <p>During the proceedings of the AGMs, the Chairman of the 2022 General Meetings invited shareholders to raise questions pertaining to the agenda items tabled for approval at the meetings. All questions raised by the shareholders were answered and addressed accordingly.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders’ participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

Application	:	Applied
Explanation on application of the practice	:	<p>The 2022 General Meetings were held on a fully virtual basis through live streaming and online remote voting using Remote Participation and Voting (“RPV”) facilities.</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 2022 General Meetings 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.</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> <p>Shareholders will be allowed to cast their votes via an online platform at the time of the meeting until the time when the Chairman of the meeting announces the completion of the voting session.</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

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

Practice 13.4

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

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
Application :	Applied
Explanation on application of the practice :	<p>The Chairman ensures that the general meetings cater to an important opportunity for effective communication with, and constructive feedback from the shareholders. Shareholders were encouraged to post their questions to the Board using the RPV facilities throughout the 2022 General Meetings.</p> <p>The Company facilitates and encourages shareholder participation at its 2022 General Meetings. The meetings provide an update for shareholders on its performance and offer an opportunity for shareholders to ask questions and vote. The Chairman read out and answered the relevant questions received during the meeting.</p> <p>All the Directors, Senior Management and External Auditors also attended the 2022 General Meetings to respond to questions posted by shareholders.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 13.5

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

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
Application :	Applied
Explanation on application of the practice :	<p>The Board has engaged Agmo Digital Solutions Sdn. Bhd. ("ADS") for its RPV Facilities to conduct the 2022 General Meetings.</p> <p>The detailed procedures to participate in the 2022 General Meetings remotely were provided to the shareholders in the Administrative Notes of the AGMs sent through email and/or ordinary post and the same was also published on the Company's website.</p> <p>ADS has in place a meeting platform that allows shareholders to participate online, using a smartphone, tablet or computer as well as viewing live webcast of the meeting.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 13.6

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

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>	
Application :	Departure
Explanation on application of the practice :	
Explanation for departure :	The minutes of the 2022 General Meetings were not circulated to the shareholders, however, the Summary of Key Matters Discussed at the 20 th AGM and 21 st AGM are made available to the shareholders on the Company's website at https://www.hongseng.com.my .
<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.

Click or tap here to enter text.