

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5024
COMPANY NAME : Hup Seng Industries Berhad
FINANCIAL YEAR : December 31, 2023

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	The Board discharges its duties and responsibilities that are set out in the Board Charter, with the objective of safeguarding the interest of shareholders and other stakeholders.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Non-Executive Chairman confirmed that he had discharged his duties and responsibilities as follows for financial year 2023:-</p> <ul style="list-style-type: none">• providing leadership for the Board so that the Board can perform its responsibilities effectively;• setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;• leading Board meetings and discussions;• encouraging active participation and allowing dissenting views to be freely expressed;• managing the interface between Board and management;• ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and• leading the Board in establishing and monitoring good corporate governance practices in the Company.
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>Mr Kerk Kar Han is the Non-Executive Chairman of the Board and Mr Kerk Chiew Siong is the Managing Director. Mr Kerk Kar Han is the nephew of Mr Kerk Chiew Siong.</p> <p>The responsibility of Board Chairman is primarily to ensure that conduct and working of the Board is in an orderly and effective manner whilst the Managing Director manages the daily running of business and implementation of Board and management policies. The Managing Director is accountable for the profitable operation and strategic development of the Group, and is obliged to refer major matters back 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

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.

Application	:	Applied	
Explanation on application of the practice	:	The Chairpersons of the Audit Committee, Nomination Committee and Remuneration Committee are all Independent Non-Executive Directors and none of them is the Board Chairman.	
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 1.5

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Our Company Secretary is licensed under Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). She provides sound advice on regulatory compliances and corporate governance requirements.</p> <p>The roles and responsibilities of the Company Secretary include, but are not limited to the following:</p> <ul style="list-style-type: none">i. To advise the Board on Statutory and regulatory requirements of the relevant acts, rules and regulations;ii. To attend all board and board committees meetings and general meetings and ensure the deliberations at the meetings are recorded and the minutes circulated in a timely manner;iii. To provide support and guidance to the Board on issues relating to the Company's Constitution, corporate governance best practices and its compliance with regulatory requirements, codes, guidance and legislations in fulfilling its fiduciary duties;iv. To keep abreast of and update to the Board of current governance practices, new regulations and guidelines, as well as any amendments thereto issued by regulatory authorities; andv. To undertake the statutory duties as prescribed under the Companies Act 2016 and the Listing Requirements. <p>The Board has unrestricted access to the professional advices and services of the Company Secretaries and is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions during the financial period ended 31 December 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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>Most of the meeting materials were disseminated five days before meeting while minutes were circulated timely to the Board members.</p> <p>The meeting calendar has been circulated in advance of each new year in order for the directors to manage their meeting schedule properly. The calendar provides Directors with scheduled dates for meetings of the Board, Board Committees, private meetings with external auditors and the Annual General Meeting.</p> <p>Deliberations and decisions made at Board and Board Committees meetings are documented carefully in the minutes, including matters where Directors abstained from voting or deliberation. The minutes are then circulated to the Directors and Board Committees members for perusal. The minutes are confirmed as correct record by the Board and Board Committees at the following meeting.</p> <p>The Company Secretary notifies the Directors via email the closed periods for dealings in securities by Directors one month before the targeted dates of announcement of the quarterly results.</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 Charter sets out the Board's strategic intent, authority, policies and terms of reference and is periodically reviewed by the Board. The Board Charter is updated taking into consideration the latest Malaysian Code on Corporate Governance 2021 issued by Securities Commission effective from 28 April 2021.</p> <p>Board Charter has been included in the corporate website www.hsib.com.my and was reviewed by the Board of Directors on 10 November 2021.</p> <p>The Terms of References of the Audit Committee ("AC"), Nomination Committee and Remuneration Committee are also available on the Company's website. The Terms of References of the AC were last reviewed and updated in February 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>Hup Seng Group formalised Whistleblowing Policy and Procedures (“WBPP”) with the purpose to uphold good corporate governance practices and maintain transparency and accountability in the workplace. The WBPP were reviewed and updated by the Board on 17 February 2021.</p> <p>Hup Seng Group has adopted Anti Bribery and Anti-Corruption (“ABAC”) Policy in 2020, after the Malaysian Anti-Corruption Commission (Amendment) Act 2018 came into force on 1 June 2020.</p> <p>A copy each of the ABAC Policy and the WBPP are made available on www.hsib.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is satisfied with the current board composition and is of the opinion that even though the current Board is short of three (3) Independent Directors (“IDs”), performance of the Board has not been compromised.	
		Assessment of the independence of the IDs has been carried out by referring to the Independence Criteria of Main Market Practice Note 13 and the IDs proved themselves that they have contributed impartial and objective judgment to the decision making process of the Board.	
<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

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.

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
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

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.

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.

Application	:	Applied	
Explanation on application of the practice	:	Board and management own a vast pool of industrial experience, professional qualification, wide age gap, different races and balanced gender diversity. The Companjuy has embedded gender diversity in its corporate culture and maintained one-third (1/3) of its board composition in opposite gender since the day it was listed. The Board considered its members composition as having a healthy mix of genders, working experience, skills and even age group and would continue to upkeep such diversity.	
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.

Application	:	Applied	
Explanation on application of the practice	:	The Board has formalised a diversity policy in February 2023. The diversity policy can be found at the company's website at www.hsib.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

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Nomination Committee (“NC”) is responsible for recommending suitable candidates for Directorships to the Board. In undertaking this responsibility, the NC would seek from various sources like industry acquaintance, contacts in related industries, consultants etc. to gain access to a wide pool of potential candidates in addition to tapping on the recommendations from existing board members, management or major shareholders.</p> <p>In 2023, the NC had reviewed several candidates and suggested one (1) candidate to fill the position of Independent Non-Executive Director (“INED”) to the Board through recommendation of board members and management. The new INED was appointed to the Board on 2 January 2024.</p> <p>The NC evaluated the working experience, tertiary background and independence (if applicable) of the candidates for the appointment of Director in year 2023. The evaluation process took into consideration the skills set, working experience, gender and educational background of the candidates and matched that to the position of the directorship in the Company. In addition, the NC applied the prescribed criteria stated in the Listing Requirements of Bursa Malaysia Securities Berhad when evaluating candidates for the position of Independent Directors. The Directors are required to affirm their commitment to bring sound, independent and objective judgement annually.</p> <p>Considerations and identification of candidates are stated in the Terms of References of the Nomination Committee.</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.	
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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.

Application	:	Applied	
Explanation on application of the practice	:	Nomination Committee has been chaired by an Independent Director since it was set up and all the committee members are Independent Directors.	
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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Comprehensive evaluations and annual assessments carried out by Nomination Committee on performance of the Board and its respective committees have indicated satisfactory results on Board and committees effectiveness. Hence no individual assessment was initiated.	
		Nomination Committee will evaluate the need to conduct assessment on individual director on a yearly basis.	
<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

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	:	Remuneration policy of the Company is posted on www.hsib.com.my . Such policy administers the remuneration of directors and senior management, taking into account the demands, complexities and performance of the Company and its subsidiaries as well as skills and experience required.
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	:	Remuneration Committee discharged its responsibilities by carrying out its duties set out in the Terms of Reference ("TOR"). The TOR are in the company's website at www.hsib.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

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	:	The disclosure is included in the Annual Report 2023 on named basis for the remuneration of individual directors and the remuneration breakdown of individual directors including fees, salaries, bonuses, benefits in-kind and other emoluments is stated therein.	
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	:	The Company departs from this Practice as this information may be a threat to the security of these individuals.	
		The compensation of key management personnel is disclosed under Note 8 of the Financial Statement for year ended 31 December 2023.	
<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 Chairperson of the Audit Committee is not the Chairperson of the Board and she is an Independent Non-Executive Director.</p> <p>Chairperson of Audit Committee for financial year 2023 was Dr. Voon Yuen Hoong and she was appointed to the Board on 31 March 2022. Non-Executive Chairman of the Board for Financial Year 2023 was Mr Kerk Kar Han.</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	:	Such policy was stated in the Terms of Reference of Audit Committee and made available on www.hsib.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 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	:	In the Terms of Reference of Audit Committee, there are policies and procedures to assess external auditor.	
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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee has been in full composition of Independent Directors for more than 18 years.

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	:	All Audit Committee members have at least bachelor degrees and majority of them are professionals in tax, legal, accounting and commerce related fields. The Company encourages all Audit Committee members to continuously enhance their professional knowledge to keep themselves up-to-date with the current practices and rules. Trainings attended by the Board members are stated in the Annual Report.
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	:	The Group has both Enterprise Risk Management framework and internal control framework drawn out for the Company and its three subsidiaries. These two frameworks will be reviewed regularly by the management, Risk Management Committee and the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 Group implemented Enterprise Risk Management in accordance with ISO 31000 and risk profiles of all companies have been reviewed, updated and discussed. Internal control measurements were taken to mitigate and/or manage the risks identified. In year 2022, the Group engaged a consultancy firm to review, assess and update the risk profiles of the Group.</p> <p>Regular reviews of risk management profiles, periodic testing of risk management and internal control frameworks and review of internal control measurements would be carried out at the management level. The Risk Management Committee and the Board will carry on evaluating and monitoring the risk management and internal control system of the Group.</p> <p>Further details of risk management and internal control is contained in the Statement of Risk Management and Internal Control, which is included in the Annual Report 2023 of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Risk Management Committee ("Risk Mgt Comm") was set up in 2018 and it comprises Independent Directors, Non-Independent Non-Executive Directors who hold operational positions in the subsidiaries and Chief Financial Officer. The Chairman of Risk Mgt Comm is an Independent Director.

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	:	Internal audit functions were carried out by an Independent professional firm which reported to the Audit Committee. The internal auditors would evaluate the effectiveness of risk management, internal control and governance processes, advise the Audit Committee on areas of weaknesses or deficiencies in internal processes and suggest the appropriate and remedial measurements and actions to be adopted by the management.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
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>Internal audit functions were carried out by Tricor Axcelasia Sdn. Bhd. (“Tricor Axcelasia”) and headed by Mr. Chang Ming Chew who is the Executive Director. The Audit Committee and the Board evaluated the experience, professional qualifications and credentials of the external professional firm before engaging them to conduct internal audit of the Group. After completion of the internal audit, the Audit Committee and the Board would assess the findings and evaluation of the internal audit, quality of their advices and suggestions, adequacy of their resources and compare that against the professional fee paid.</p> <p>The internal audit personnel assigned by Tricor Axcelasia to the Group were free from any relationships or conflicts of interest, which could impair their objectivity and independence pursuant to written declarations made by them.</p> <p>Mr Chang Ming Chew has over 21 years of professional experience in financial audit, IT and operational audit, risk management and corporate governance advisory. He holds the credentials of Certified Information Systems Auditor, Certified Internal Auditor, Certification in Risk Management Assurance and is a member of the Institute of Internal Auditors Malaysia, the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants. The number of staff deployed for the internal audit review is four (4), which consists of Engagement Manager and professional staff. The staff involved in the internal audit possesses professional qualifications and/or a university degrees. Also, Tricor Axcelasia is the corporate member of the Institute of Internal Auditors Malaysia. The work of the internal auditors is guided by, in all material respect, the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors.</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	:	Effective, transparent and regular communication with the shareholders, institutional investors and the investing public at large has been maintained through the means of Annual Report, press release, interviews, disclosure and announcement to Bursa Securities since listed. The Company also has a corporate website www.hsib.com.my which provides information on the listed company and its subsidiaries, directors, board charter, corporate governance, public announcements, etc. Matters regarding investor relations are arranged and facilitated by the Executive Director of the Company.
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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The current reporting complies with the requirements set out in the Companies Act 2016, the applicable accounting standards and the Main Market Listing Requirements.	
		The Company is adopting an approach which tries to provide a flow of information that comprises the management discussion and analysis, sustainability statement, statement of risk management and internal control and CG Overview statement in the Annual Report.	
<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.

Application	:	Applied	
Explanation on application of the practice	:	It is the practice of the Company to disseminate Notice of Annual General Meeting at least 28 days before the meeting to ensure that sufficient time for shareholders to consider the resolutions. This practice has been consistently carried out since the Company was listed.	
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.

Application	:	Applied	
Explanation on application of the practice	:	All directors attend General Meetings of the Company. Chair of all committees and the Board will attend to questions addressed to them. The Company ensures that shareholders are able and welcome to participate, engage the Board and senior management during General Meetings.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company prefers holding physical General Meetings to meet and greet shareholders. With physical meeting, the Board, Board Committees and senior management are able address questions of shareholders in a more personal manner.
		The Company sends out Notice of General Meetings within appropriate and considerate timeframe and shareholders who couldn’t attend the meetings physically could appoint a Proxy(ies). The Company has adopted electronic voting since the 2017 Annual General Meetings with the primary purpose of achieving more accurate and transparent voting results.
<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.

**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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