

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7130
COMPANY NAME : KPower Berhad (formerly known as Kumpulan Powernet Berhad)
FINANCIAL YEAR : June 30, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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	:	<p>The Board of Directors ("Board") of KPower Berhad (formerly known as Kumpulan Powernet Berhad) ("KPower" or "the Company") is responsible for the long-term performance of the Company and its subsidiaries (collectively referred to as "the Group") and for overseeing the Group's strategy and monitoring its operation.</p> <p>The Board's main functions are to provide leadership and guidance on the Group's strategic objectives, ensure that necessary resources are in place for the Group to meet its objectives, as well as to review the performances of the Group and the Management against targets. The Board had delegated to the Group Managing Director ("GMD"), amongst others, the responsibility for implementing the Group's strategic direction and for managing its day-to-day operations. Strategies and policies, including annual business plan and budget are developed by the GMD together with the Management, which are then reviewed, constructively challenged and approved by the Board. The GMD is responsible to communicate and execute the Group's strategic plan, which is aimed at achieving business growth, developing people and promoting good governance for a sustainable business. The GMD ensures implementation of these plans, people engagement as well as prudent management of the Group's resources. The Board monitors the Group's performance quarterly, whereby the GMD and the Management keep the Board informed on the financial performance of the Group as well as the development and performance of key business areas. The GMD is also responsible to bring material issues and other relevant matters to the attention of the Board.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 1.2

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	:	The Chairman of the Board is able to provide effective leadership to the Board and guide the vision, strategic direction and business development of the Group, and at the same time be guided by the independent advice and views from the Directors, who offer the necessary checks and balances in the decision-making process of the Board. The roles and responsibilities of Chairman of the Board are clearly specified in the Board Charter, which is available on the Company's website at www.kpower.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

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group does not have a Chief Executive Officer however the Group Managing Director (“GMD”) is responsible to communicate and execute the Group’s strategic plan, which is aimed at achieving business growth, developing people and promoting good governance for a sustainable business.</p> <p>The positions of Chairman and (“GMD”) are held by different individuals. The Board acknowledges the importance of a clear division of responsibilities between the Chairman and GMD. Therefore, the positions of Chairman and GMD are held by separate individuals to ensure an optimal balance, resulting in increased accountability and enhanced decision making.</p> <p>Dato’ Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah was re-designated as Chairman of KPower from Deputy Chairman to Non-Independent Non-Executive Chairman on 28 November 2019.</p> <p>Mustakim bin Mat Nun was appointed as Managing Director of KPower since 28 June 2019 and re-designated as Deputy Chairman and GMD of KPower on 28 November 2019. He primarily responsible for overall operations of business and execution of the Group’s strategies in line with the Board’s direction.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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	:	<p>The Company is supported by two outsourced Company Secretaries and both of them are Chartered Secretaries registered with The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") as well as qualified Company Secretaries under Companies Act 2016.</p> <p>The main roles of a Company Secretary include the following:</p> <ul style="list-style-type: none"> ➤ to attend Board and Board Committees' Meetings and prepare minutes of meetings; ➤ to ensure all the Board meetings are properly convened; ➤ to keep proper record of all the statutory documents of the Company; and ➤ to provide professional and timely advice to the Board members on all regulatory compliance and corporate governance matters from time to time. <p>The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through continuous training. The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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>Reasonable notice of meetings and the agenda on the business to be conducted at the meetings and meeting material that provided relevant information such as minutes of previous meetings, management reports and financial reports were furnished to the Directors prior to the Board meeting so that each Director had ample time to review the papers to enable informed decision making.</p> <p>The Company, however, allows exceptional cases, whereby the meeting materials are furnished to Board members in less than five (5) working days on urgent and/or extraordinary matter(s), of which there is insufficient time in collating relevant information and details.</p> <p>The deliberations and decisions at the Board and Board Committee meetings are well documented and minuted. The actions to be taken by respective parties are included in the minutes, in which the Board can follow-up with the respective parties on the status of the matters discussed during the previous meeting.</p> <p>The minutes of the Board and Board Committees are circulated to the Directors for review in a timely manner. All the meeting materials are reviewed by the Management to ensure the accuracy and completeness of the information contained before presented to the Board or Board Committees.</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>In performing its duties, the Board is guided by the Board Charter that sets out, amongst others, its roles, composition, responsibilities, powers, board committees and board meeting processes. The key elements of governance principles embedded in the Board Charter regulate the Board's conducts and guide the business strategic initiative of the Group.</p> <p>The Board would regularly review the Board Charter and the Terms of Reference ("TOR") of the Board Committees to ensure they remain consistent with the Board's objective and responsibilities, and relevant standards of corporate governance.</p> <p>The Board Charter is available on KPower's website at www.kpower.com.my.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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 noted the importance of the Code of Ethics and Conduct ("Code") of the Group that emphasised the Group's commitment to ethical practices and compliance with the applicable laws and regulations which also governs the standards of ethics and good conduct expected from the Directors and employees of the Group.</p> <p>The Company has adopted this Code to provide guidance to every member of the Company's Board of Directors. Each Director is responsible for reading and understanding this Code and use it as a guide in the performance of his or her responsibilities as a director. The Board is committed to establish a corporate culture that promotes ethical conduct throughout the Company and ensures that its business is conducted with integrity, transparency and fairness. In discharging its fiduciary duties, the Board must, at all times, act in good faith and in the best interests of the Company and at the same time ensuring that its obligation to shareholders and stakeholders are met. All of its Directors help foster a sense of commitment to this Code among all Directors, and to foster a culture of fairness, honesty and accountability within 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

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 formalised a Whistleblowing Policy that provides a channel to enable employees and other stakeholders to report any suspected breaches of law, regulations or any illegal act observed in the Group, including financial malpractice or fraud, non-compliance with regulatory requirements, hazards in relation to health, safety or the environment, criminal activity and corruption. It outlines the procedures for reporting a genuine concern on any breach of conduct that are taking place, have taken place or may take place in the future. The Group treats all reports in a confidential manner and at the same time provides protection to anyone who reports such concerns in a good faith.</p> <p>The Whistleblowing Policy and Form are available on KPower's website at www.kpower.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	:	<p>The Board recognises the importance of having a diverse Board in terms of age, qualification and gender to provide the necessary range of perspectives, experience and expertise in bringing value to the Company. Currently, the Board consists of six (6) members, comprising of the following:</p> <ul style="list-style-type: none">a) One (1) Non-Independent Non-Executive Chairman;b) One (1) Deputy Chairman / Group Managing Director;c) Two (2) Non-Independent Non-Executive Directors; andd) Two (2) Independent Non-Executive Directors. <p>Notwithstanding only one third (1/3) of the Board comprises of independent directors, the Board decisions were made based on a majority basis.</p> <p>As the Independent Directors' view/judgement is crucial, the Board (as a whole) always discussed and deliberated the matters thoroughly before making any decisions.</p> <p>The profiles of the Independent Directors are disclosed in the Profile of Directors of the Annual Report.</p> <p>Alternative Practice:</p> <p>The Board through the NC will consider appropriate candidates for appointment as Board members in terms of gender, ethnicity and age and will require measures to meet those targets from time to time if deemed necessary to enhance the effectiveness of the Board.</p> <p>A thorough screening exercise will be undertaken to ensure the potential candidate possessed the relevant qualification, skills and experience in order to be nominated as the new woman director to join the Board. Currently, the NC is still aligning with the management and will be nominating the suitable candidate for the new director's position.</p>

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

Measure	:	n/a	
Timeframe	:	n/a	

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	:	<p>The NC will recommend to the Board on suitable candidates for appointment as Board members, member of Board Committees and Executive Director of the Company based on the following evaluation criteria:</p> <ul style="list-style-type: none"> • skills, knowledge, expertise and experience; • professionalism; • time commitment to effectively discharge his role as a director; • contribution and performance; • character, integrity and competence; • boardroom diversity including gender diversity; and • in the case of candidates for the position of Independent Non-Executive Directors, the NC shall also evaluate the candidates' ability to discharge such responsibilities / functions as are expected from Independent Non-Executive Directors. <p>This helps to ensure an appropriate balance between the experience perspectives of the long-term directors and new perspectives that bring fresh insights to the Board.</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

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 current Board composition is supported by two (2) women directors who are Non-Independent Non-Executive Director, Sarah Azreen binti Abdul Samat, and Independent Non-Executive Director, Kok Pauline, equivalent to approximately 33% of the Board composition. Their profile are disclosed on the Profile of Directors of 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

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	:	Applied
Explanation on application of the practice	:	<p>The Board delegates to NC the responsibility to establish a formal and transparent procedure for the nomination and appointment of new directors to the Board. The Board uses a variety of sources for identification of suitable candidate of directors.</p> <p>In considering potential candidates for appointment, the NC undertakes a thorough review of the candidate's criteria, amongst others, qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role.</p> <p>The NC has the authority to obtain the services of professional recruitment firms to source the candidates for directorship or seek independent professional advice whenever necessary.</p> <p>Based on the recommendation of the NC, the Board will deliberate on the appointment of the proposed candidate after taking into consideration the factors such as age, gender, ethnicity, skill and expertise, personal qualities and characteristics, educational background, time commitment, capability to discharge duty as director.</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 4.7

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Chairman of NC, Sarah Azreen binti Abdul Samat (“Sarah”) is a Non-Independent Non-Executive Director.	
		Based on Paragraph 15.08A(1) of Bursa Malaysia Securities Berhad Listing Requirements, the NC complies with the requirement of comprising exclusively of Non-Executive Directors. Together with two (2) other NC members, namely Kok Pauline and Tan Yee Hou, Sarah led the NC to discuss and deliberates the matters thoroughly. Upon obtaining the majority votes, the NC will make recommendation to the Board for consideration.	
<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	:	Applied
Explanation on application of the practice	:	<p>The NC performed a formal and objective annual evaluation in assessing the performance of the Board, Board Committees, individual Directors and Senior Management. The evaluation is performed based on the feedback from the respective Directors and Senior Management to the following questionnaire and evaluation forms distributed by the Company Secretary/Management to the respective parties:</p> <ul style="list-style-type: none">➤ Audit Committee Evaluation Questionnaire;➤ Audit Committee Members' Self and Peer Evaluation Form;➤ Independent Directors' Self-Assessment Checklist;➤ Directors and Senior Management's Evaluation Form;➤ Board Skills Matrix Form; and➤ Board and Board Committees Evaluation Form <p>The Company Secretary compiled the completed forms from the respective Directors and table the outcome results to the NC for deliberation before making recommendation to the Board.</p> <p>For the financial year ended 30 June 2021, the NC has concluded that the Board, Board Committees and individual Directors have discharged their duties effectively and that the current size and composition of the Board is well-balanced with the right mix of skills. The Board also opined that the current Board has the right blend of knowledge and experience to optimise the Company's performance and strategy. The Board has also through the NC assessed the independence of all the Independent Directors and the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to continue to exercise independent judgment.</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company’s website.

Application	: Applied
Explanation on application of the practice	<p>: The Board with the assistance of the Remuneration Committee (“RC”) reviews the overall remuneration process of the Executive Directors, and Key Executives of the Company, while the remuneration for the Non-Executive Directors was determined by the Board as a whole.</p> <p>In practice, on annual basis, the RC reviews and recommends to the Board, the remuneration packages of the Executive Directors and Key Executives of the Company, while the remuneration for the Non-Executive Directors was determined by the Board as a whole, with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and Senior Management team.</p> <p>The Board recognises that a comprehensive and fair remuneration package should be in place to retain and attract the Executive and Non-Executive Directors as well as the Key Executives of the Company. With that view, the RC is still formalising a comprehensive policy to govern the framework for remuneration packages for the Executive Directors, and Key Executives 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	:		
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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	:	The RC was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. Full details of the functions and duties of the RC are stated in its Terms of Reference, which is incorporated in the Board Charter, available on the Company's website at www.kpower.com.my . The RC comprises exclusively of Non- Executive 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 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 detailed disclosure on name basis for the remuneration of the individual directors are set out in the KPower's Annual Report 2021 under the Corporate Governance Overview Statement.	
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	:	Due to confidentiality and sensitivity of the remuneration packages of Senior Management as well as security concerns, the Board decided not to disclose the Senior Management's remuneration components on name basis on the bands of RM50,000.00.	
		The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Company given that the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.	
		As an alternative, the Board is of the view that the disclosure of Senior Management's aggregated remuneration on unnamed basis in the bands of RM50,000.00 in the Company's Annual Report 2021 is adequate.	
<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 7.3 - 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 Kok Pauline, an Independent Non-Executive Director, who is not the Chairman of the Board.</p> <p>Pauline is a member of the Malaysian Institute of Accountants and a fellow of the Association of Chartered Certified Accountants (ACCA/FCCA). Her profile is disclosed on the Profile of Directors of the Annual Report.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee ("AC") recognises the need to uphold independence of its external auditor and that no possible conflict of interest whatsoever should arise.</p> <p>Currently, none of the members of the AC of the Company were former key audit partners of the external auditors appointed by the Group.</p> <p>The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC was a key audit partner of the external auditors of the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through its AC maintains a formal and transparent relationship with its External Auditors. The Board had delegated the responsibility to the AC for making recommendations on the appointment, re-appointment or removal of the External Auditors as well as on their remunerations. The AC ensured that the External Auditors work closely with the Internal Auditors to enhance the effectiveness of the overall audit process. The AC assessed the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.</p> <p>The AC had on 15 September 2021 conducted an assessment on the External Auditors' performance by taking into the consideration of the following criteria:</p> <ul style="list-style-type: none">➤ the adequacy of the experience and resources of the External Auditors;➤ the nature of the non-audit services and the fees payable for such services; and➤ the level of independence of the External Auditors. <p>The AC is satisfied that the External Auditors of the Company, Messrs Al Jafree Salihin Kuzaimi PLT, have discharged their duties professionally, ethically and independently for the financial year ended 30 June 2021 before recommending to the Board for the re-appointment of Messrs Al Jafree Salihin Kuzaimi PLT as External Auditors for the next financial year.</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	:		
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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 :	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 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board reviews the terms of office of the AC members and assess the performance of the AC and its members through an annual Board Committee effectiveness evaluation. Based on the outcome of the evaluation, the Board is satisfied with the AC's existing performance.</p> <p>The AC members are aware of the need to continuously develop and increase their knowledge in the area of accounting and auditing standards, given the changes and development in this area from time to time.</p> <p>During the financial year 2021, all the members of the AC attended professional development trainings. The record of training attended by AC members is disclosed in the Corporate Governance Overview Statement of the Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for maintaining a sound and effective system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets, as well as reviewing the adequacy and effectiveness of these systems to support the Group’s strategy and operations to achieve its business objectives.</p> <p>To discharge these responsibilities, the Board is assisted by the Risk Management Committee ("RMC") in fulfilling the oversight responsibilities of reviewing the control systems in general and assessing the adequacy and effectiveness of the risk management and internal control practices conducted by the Management.</p> <p>The Board is supported by the Management in developing, implementing, and monitoring sound practices for identifying and managing strategic, financial and operational risks and for providing assurance that risk management and internal control practices with respect to the conduct of business are implemented and adhered to within the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The key features of the risk management and internal control framework, which cover its adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control in the Group's Annual Report 2021.	
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	:	Not Adopted
Explanation on adoption of the practice	:	The RMC comprises of two (2) independent directors and two (2) non-independent directors. The RMC will discuss and deliberate the matters thoroughly during their meeting. Upon obtaining the majority votes, the RMC will make recommendation to the AC/Board for consideration.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group's internal audit function is carried out by an outsourced internal audit firm which is independent of the activities the Internal Auditor's audit. The Board, through the AC conducted annual review on the effectiveness of the internal audit function including assessing the quality of audit review and ensuring that the Internal Auditors have sufficient knowledge and experience to perform their role effectively.</p> <p>The AC had on 15 September 2021 conducted an assessment on the Internal Auditors' performance and satisfied with their performance.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's internal audit function is outsourced to an independent professional firm, namely Tricor Axcelasia Sdn. Bhd. ("Axcelasia"), which reports functionally directly to the AC. The Internal Auditor regularly reviews and appraises the effectiveness of the governance, risk management and internal control processes within the Company's key operations and table its findings/recommendations to the AC for consideration.</p> <p>The person in charge from Axcelasia, namely Encik Noradlan bin Abdul Latif who has 25 years of diverse professional experience in the scope of internal auditing in internal audit, risk management, and corporate governance advisory. He is also a member of Institute of Internal Auditors ("IIA") and the Malaysian Institute of Accountant. He has a Certification in Control Self – Assessment (United States) and a bachelor's degree in Accounting from University Utara Malaysia.</p> <p>Axcelasia consists of 3 to 4 staffs in the internal audit department including the outsourced internal audit leader with various professional qualifications and associate members of the Institute of Internal Auditors Malaysia.</p> <p>All internal auditors are free from any relationships or conflict of interest, which could impair their objectivity and independence.</p> <p>The internal audit is conducted using a risk-based approach and is guided by the International Professional Practice Framework (IPPF) issued by the IIA.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company strives to promote a better understanding of the Group through investor relations' activities. Apart from general meetings, the Company has put in place the following initiatives to facilitate effective communication with its shareholders:</p> <ul style="list-style-type: none">(a) the Annual Report, which contains information such as Management Discussion and Analysis, financial statements, and information on the Audit Committee, Corporate Governance, Sustainability and Corporate Social Responsibility, and Risk Management and Internal Control;(b) various announcements made to Bursa Securities, which include timely release of financial results on a quarterly basis. Concurrent with these releases, the Company posts all announcements on its website, and releases announcements to major newspapers and public media;(c) attending to shareholders' and investors' emails and phone enquiries; and(d) the Company's website at www.kpower.com.my under Investor Relations' section, which houses Bursa announcements, annual reports, quarterly reports, slide presentations from analyst briefings, and other corporate information on KPower. The Board Charter of the company is housed under the Corporate Information: Corporate Governance section. The website also provides Investor Relations' contact for shareholders to direct their queries or concerns to. <p>During the AGM of the Company, the Board holds active communication with the shareholders by inviting questions from the shareholders and proxies and to explain the financial results and future business direction of the Group, where necessary.</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 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 Company does not fall under the category of 'Large Companies' as defined in the MCCG; thus, this practice is not applicable to the Company.	
<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 12.1

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>The Company dispatches the notice of its Annual General Meeting (“AGM”) to the shareholders at least 28 days before the AGM.</p> <p>The Company’s Annual Report and Notice of the AGM for the financial year ended 30 June 2020 were disseminated/made available to the shareholders on 30 October 2020, which was more than 28 days prior to the 23rd AGM held on 9 December 2020. The Notice of AGM was also published in a nationally circulated newspaper concurrently.</p> <p>There was sufficient time given to shareholders prior to convening of the 23rd AGM to enable the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the 23rd AGM.</p> <p>The Company will continue to give not less than twenty-eight (28) days’ notice period for the forthcoming 24th AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 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	:	<p>All the Directors had attended and participated in the Company's 23rd AGM and Extraordinary General Meeting ("EGM") held in 2020. As the general meetings were held during the lockdown in Malaysia, the Non-Independent Non-Executive Chairman, GMD, one of the Director, and Group Chief Financial Officer and the Company Secretary were presented at the broadcast venue, whereas, the other Directors attended and participated the general meetings virtually .</p> <p>During the 23rd AGM and EGM, the shareholders participated in the meetings by posting questions through the virtual platform for the Directors to respond and provide clarifications. With the presence of all the Directors, the shareholders were given meaningful responses to all questions proposed during the AGM and EGM.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The 23rd AGM as well as the EGM were conducted entirely through live streaming from the broadcast venue at Tricor Investor & Issuing House Services Sdn. Bhd. on 9 December 2020 and 28 December 2020 respectively.</p> <p>The shareholders posted their questions to the Board via real time submission of typed texts and voted remotely at the General Meetings via the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.</p> <p>Detailed instructions and procedures on the remote participation and e-voting process were provided in the Company's notification to the Shareholders on the administrative details of the 23rd AGM and EGM.</p> <p>The e-voting had provided a more efficient and accurate outcome of the results. For the benefit of all shareholders, the outcomes were also announced by the Company to Bursa Securities on the same day after the conclusion of the 23rd AGM and EGM respectively.</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	:	

**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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