

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7130  
**COMPANY NAME** : Kumpulan Powernet Berhad  
**FINANCIAL YEAR** : June 30, 2020

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors' ("Board") of 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, provide 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>
<b>Explanation for departure</b>	:	n/a
		n/a

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

<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	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 were clearly specified in the Board Charter, which is available on the Company's website at <a href="http://www.kpower.com.my">www.kpower.com.my</a> .	
<b>Explanation for departure</b>	:	n/a	
	:	n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group does not have a Chief Executive Officer ("CEO"), however, 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 position 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' Haji Roshidi bin Haji Hashim ("Dato' Roshidi") was the Chairman of KPower and he retired from his position on 28 November 2019. Subsequently, Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah was redesignated as the Chairman of KPower on 28 November 2019. He holds the position as a Non-Independent and Non-Executive Chairman.</p> <p>Mustakim bin Mat Nun was appointed as Managing Directors ("MD") of KPower since 28 June 2019 and has been redesignated as GMD and Deputy Chairman of KPower on 28 November 2019. He is primarily responsible for overall operations of business and execution of the Group's strategies in line with the Board's direction.</p>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretaries of KPower are qualified and competent to act pursuant to Section 235 of the Companies Act 2016.</p> <p>The Company Secretaries play an advisory role to the Board, particularly on matters pertaining to the Constitution of the Group, Board policies and procedures and the Group's compliance with regulatory requirements, codes, guidance and legislation.</p> <p>The Company Secretaries ensure that the discussions and deliberations at Board and Board Committee meetings are well documented.</p> <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>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 of 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 action to be taken by respective parties will be in the minutes so that the Board can follow up with the respective parties on the status of the matters discussed during the previous meeting.</p>
<b>Explanation for departure</b>	:	n/a
	:	n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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 <a href="http://www.kpower.com.my">www.kpower.com.my</a>.</p>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a



### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board noted the importance of the Code of Ethics and Conduct 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 using 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>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

## Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board has established a Whistle-blowing Policy that provides a channel to enable employees and other stakeholders to report any suspected breaches of law or regulations or any illegal act observed in the Group, including financial malpractice or fraud, non-compliance with regulatory requirements, danger 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.
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	<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. The Board consists of six (6) members, comprising of the following:</p> <ul style="list-style-type: none"><li>a) One (1) Non-Independent and Non-Executive Chairman;</li><li>b) One (1) Deputy Chairman / Group Managing Director;</li><li>c) Two (2) Non-Independent and Non-Executive Directors;</li></ul> <p>and</p> <ul style="list-style-type: none"><li>d) Two (2) Independent and Non-Executive Directors.</li></ul> <p>Notwithstanding only 1/3 of the board comprises of majority independent directors, the decisions were made based on an unanimous basis.</p>
<b>Explanation for departure</b>	:	<p>Notwithstanding the above, the Board complies with the Paragraph 15.02(1) of Bursa Securities Listing Requirements, which is to have at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, as independent directors. The Board and the Nomination Committee are aware of such departure and are identifying the right candidates.</p> <p>In the event of additional independent director to be appointed to the Board, necessary submissions to Bursa Malaysia will be made accordingly.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	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.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	n/a	
<b>Explanation for departure</b>	:	n/a	
	:	n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 4.4

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee 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"> <li>• skills, knowledge, expertise and experience;</li> <li>• professionalism;</li> <li>• time commitment to effectively discharge his role as a director;</li> <li>• contribution and performance;</li> <li>• character, integrity and competence;</li> <li>• boardroom diversity including gender diversity; and</li> <li>• 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.</li> </ul> <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>
<b>Explanation for departure</b>	:	n/a
	:	n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### Intended Outcome

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

### Practice 4.5

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has not formalised any policy regarding gender diversity. However, in practise, it has been adopted.</p> <p>In this respect, the Board composition is supported by two (2) women directors which are Non-Independent and Non-Executive Director, Sarah Azreen binti Abdul Samat, and Independent and Non-Executive Director, Kok Pauline, equivalent to 33% of board composition, increased from 14% in Financial Year Ended 30 June 2020.</p>
<b>Explanation for departure</b>	:	n/a
	:	n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### Intended Outcome

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

### Practice 4.6

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board delegates to the Nomination Committee 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 for candidates for directorship or seek independent professional advice whenever necessary.</p>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a



**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:	n/a	
<b>Explanation for departure</b>	:	The Chairman of Nomination Committee, Sarah Azreen binti Abdul Samat, is a Non-Independent and Non-Executive Director.	
		Based on Paragraph 15.08A(1) of Bursa Securities Listing Requirements, the Nomination Committee complies on the requirement of comprising exclusively of Non-Executive Directors. .  2/3 of the committee members are Independent and Non-Executive Directors. Any decision by the Nomination Committee will be based on the majority basis.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Nomination Committee annually performs an assessment of the effectiveness and performance of the Board, Board Committees and individual Directors, in order to verify that the Board is functioning appropriately as a whole. Each Director completed a detailed questionnaire in the Directors' Performance Evaluation which covered matters relevant to the Board performance, amongst others, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms Of Reference. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.
<b>Explanation for departure</b>	:	n/a
	:	n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has not formalised any policy in relation to determining the remuneration of directors and senior management. However, in practice, on annual basis, the Remuneration Committee reviews and recommends to the Board the remuneration packages of the Executive Director, while the remuneration for the Non-Executive Directors was determined by the Board as a whole.</p> <p>In making its recommendation, the Remuneration Committee considers the principles set out in the Board Remuneration Policy. The Policy, which covers remuneration for the Directors and key Senior Management personnel, was established with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key Senior Management team.</p>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee 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 Remuneration Committee are stated in its Terms Of Reference which is available on the Company's website.</p> <p>The Remuneration Committee comprises exclusively of Non-Executive Directors.</p>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on name basis for the remuneration of the individual directors are set out in the KPower's Annual Report 2020 under the Corporate Governance Overview Statement.	
<b>Explanation for departure</b>	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

### 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:	n/a	
<b>Explanation for departure</b>	:	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 2020 is adequate.			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

**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.

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

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairperson of the Audit Committee is Ms. Kok Pauline, and she is not the Chairman of the Board.	
<b>Explanation for departure</b>	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee 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 Audit Committee 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 Audit Committee was a key audit partner of the external auditors of the Group.</p>	
<b>Explanation for departure</b>	:	n/a	
	:	n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	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.	
<b>Explanation for departure</b>	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

**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.

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

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	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 2020.	
<b>Explanation for departure</b>	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The Committee comprises of two independent directors and two non-independent directors.

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group'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.	
<b>Explanation for departure</b>	:	n/a	
		n/a	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's internal audit function is outsourced to an independent professional firm, namely Tricor Axcelasia Sdn Bhd (formerly known as Axcelasia Columbus Sdn. Bhd.) 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.</p> <p>Axcelasia Columbus Sdn. Bhd. has 5 staff in the internal audit department and they are free from any relationships or conflict of interest, which could impair their objectivity and independence.</p> <p>The person who is responsible for the internal audit function is Encik Noradlan bin Abdul Latif who has 24 years' work experience in the scope of internal auditing in Middle-East and Malaysia. He is also a member of Institute of Internal Auditors and a chartered accountant.</p> <p>The internal audit function is carried out based on the accepted internal auditing practices.</p>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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"> <li>(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;</li> <li>(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;</li> <li>(c) attending to shareholders' and investors' emails and phone enquiries; and</li> <li>(d) the Company's website at <a href="http://www.kpower.com.my">www.kpower.com.my</a> under Investor Relations' section, which houses Board Charter, annual reports, quarterly report announcements, slide presentations from analyst briefings, and other corporate information on KPower. The website also provides Investor Relations' contact for shareholders to direct their queries or concerns to.</li> </ul>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

## 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:	n/a	
<b>Explanation for departure</b>	:	The Company is not under the category of large companies as defined in the MCCG.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 Notice of Twenty-Second Annual General Meeting ("22<sup>nd</sup> AGM") for the financial year ended 30 June 2019 was sent to all shareholders on 29 October 2019, which was more than 28 days prior to the 22<sup>nd</sup> AGM held on 28 November 2019.</p> <p>The additional time given to shareholders allows them to make the necessary arrangements to attend and participate in person.</p> <p>More importantly, it enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</p>
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:	n/a	
<b>Explanation for departure</b>	:	Dato' Haji Roshidi bin Haji Hashim, the former Independent and Non-Executive Chairman, did not attend the 22 <sup>nd</sup> AGM which was also the date of his retirement.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	n/a	
<b>Timeframe</b>	:	n/a	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	An Extraordinary General Meeting (“EGM”) was conducted entirely through live streaming from the broadcast venue at Tricor Boardroom on 22 June 2020.  Shareholders attended the EGM posted their questions to the Board via real time submission of typed texts, and voted remotely at the EGM via the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at <a href="https://tiih.online">https://tiih.online</a> .
<b>Explanation for departure</b>	:	n/a
		n/a
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	n/a
<b>Timeframe</b>	:	n/a

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

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

Click or tap here to enter text.