

CORPORATE GOVERNANCE REPORT

STOCK CODE : KGB 0151
COMPANY NAME : KELINGTON GROUP BERHAD
FINANCIAL YEAR : December 31, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for the overall performance of the Group and focuses mainly on strategic management, performance monitoring and measurement, risk management, internal controls, standards of conduct, shareholder communication and critical business decisions.</p> <p>The matters reserved for the collective decision of the Board are listed in the Board Charter. Each of the Directors is aware of the obligation to exercise unfettered judgement in good faith and with due care and skill.</p> <p>The Board implements a strategy planning process to oversee the matters delegated to Management and ensure the goals and targets are in line with the Company's strategic plan and long-term objectives, taking into consideration its core values and standards through the vision and mission of the Company as set out in the Board Charter.</p> <p>The Board delegates and confers some of the Board's authorities and discretion on the Executive Directors as well as on properly constituted Committees comprising Non-Executive Directors which operate within their clearly defined Terms and References approved by the Board and report to the Board on matters considered and their recommendations thereon.</p> <p>The ultimate responsibility for the final decision on all matters, however, lies with the Board. The Board Committees consist of the Audit Committee, Risk Management Committee, Nomination Committee and the Remuneration Committee. The powers delegated to the Board Committees are set out in the Terms of References of each of the committees as set out in the Board Charter.</p> <p>The Board Charter and the Board Committees' Terms of Reference are available on the Company's website at www.kelington-group.com.</p>

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

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by Ir. Gan Hung Keng, the Chairman and Chief Executive Officer of the Company, who is responsible for instilling good corporate governance practices, leadership and effectiveness in the Board as well as leading the Board to work towards a high-performance culture.</p> <p>As provided under the Company's Board Charter, the Chairman is responsible for, among others:</p> <ul style="list-style-type: none"> • providing leadership for the Board in creating an effective corporate governance system; • Managing boardroom dynamics by promoting a culture of openness and debate; • Setting the board agenda and ensuring the provision of accurate, timely and clear information to Directors; • Ensure effective communication with shareholders and relevant stakeholders; • arranging an evaluation of the performance of the Board, its Committees and individual Directors; • facilitating Non-Executive Directors contributions and ensuring constructive relations be maintained between the Executive and Non-Executive Directors; and • facilitating the on-going development of all Directors.
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 1.3

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The roles of the Chairman and Chief Executive Officer (“CEO”) have not been separated, and both functions continue to be held by Ir. Gan Hung Keng. Although the roles of Chairman and CEO are combined, the Board is of the view that there are sufficient experienced and independent-minded Directors on the Board to provide sufficient checks and balances.</p> <p>The Company has yet to identify a Chairman who is sufficiently suitable for the role with the right experience, strength and understanding of the Group’s business operations as the Group is involved in the high technology industry which provides end-to-end engineering solutions for ultra-high purity gas and chemical delivery systems.</p> <p>The Board has established the roles and responsibilities of the Chairman, which are distinct and separate from the duties and responsibilities of the CEO as set out in the Board Charter.</p> <p>All decisions of the Board are made unanimously or by consensus. To ensure a balance of power and authority on the Board, the Board comprises half of Independent Directors to provide more effective oversight of Management as well as to support objective and independent deliberation review and decision-making.</p> <p>The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision making that could create a potential conflict of interest. The Board will continue to source for a suitable candidate for the position of Chairman.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	To facilitate an accountable and high performing board, Ir. Gan Hung Keng has identified the future CEO that fits Kelington’s culture and strategy and is in the midst of developing the identified candidates according to the succession plan.	
Timeframe	:	Others	The roles of the Chairman and CEO shall be separated by Year 2025.

Intended Outcome

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

Practice 1.4

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

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
Application	: Applied
Explanation on application of the practice	: To limit the influence of the Chairman in the deliberation at the board committee levels which provides better checks and balances and ensures objective review, the Chairman of the board is not a member of the Audit Committee, Risk Management Committee, Nomination Committee, or the Remuneration Committee.
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

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 Board is supported by two (2) suitably qualified and competent Company Secretaries. The Company Secretaries have been providing guidance to the Board, particularly on corporate governance issues and compliance with relevant policies and procedures, rules and regulatory requirements, and ensuring good information flow within the Board, Board Committees and Management.</p> <p>The roles and responsibilities of the Company Secretaries include, but are not limited to the following:</p> <ul style="list-style-type: none">• Attending Board and Committee meetings as well as General Meetings and ensuring deliberations and decisions at the meetings are properly documented and the minutes are circulated in a timely manner and kept in the minutes books;• Ensuring compliance with the Company's Constitution, Listing Requirements, Companies Act 2016, Malaysian Code on Corporate Governance and other regulatory requirements;• Providing support and guidance to the Board on issues relating to the Company's Constitution, Companies Act 2016, and best practices on governance matters; and• Performing the statutory duties as prescribed under the Companies Act 2016. The Company Secretaries shall continue to guide the Directors on the requirements to be observed arising from new regulations and guidelines issued by the authorities.
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

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

Practice 1.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors have access to the services of the Company Secretaries as well as all information within the Group for the Board's affairs and businesses. In addition, the Directors may seek independent professional advice at the Company's expense to enable the Board to discharge their duties with adequate knowledge in relation to the matters being deliberated upon, where necessary.</p> <p>Board Meetings for the ensuing year are scheduled in advance prior to the end of the current financial year. This enables Management to plan ahead the yearly business and corporate affairs and ensure timely preparation of information for dissemination to the Board.</p> <p>The Board has a defined schedule of matters reserved for the Board's decision, and the Board papers for meetings will be circulated to the Board at least seven (7) days before the meeting. This is to ensure all Directors have sufficient time to obtain further explanation, where necessary, in order to be fully informed of the matters to be discussed during the meeting.</p> <p>The Company Secretaries are entrusted with recording the Board's deliberations in terms of issues discussed and ensuring that the deliberations at Board and Board Committee meetings are well documented. The minutes of the previous Board and Board Committee meetings are distributed to the Directors prior to the meeting for their perusal before confirmation at the following Board and Board Committee meeting.</p> <p>The Directors may comment or request clarification before the minutes are tabled for confirmation as a correct record of the proceedings of the meeting. Management provides Directors with complete and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities.</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 demarcation of responsibilities between the board, board committees and management.

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by its Board Charter which clearly sets out the Board’s strategic intents and outlines the Board’s roles and responsibilities in discharging its fiduciary and leadership functions.</p> <p>The Charter provides guidance for the Directors and Senior Management regarding the responsibilities of the Board, Board Chairman, Board Committees, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors as well as the requirements of the Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities.</p> <p>The Board Charter would be periodically reviewed and updated to take into consideration the needs of the Company and any new rules, laws, and regulations that may have an impact on the corporate governance practices of the Company and the responsibilities of the Board in discharging its governance function.</p> <p>The last review of the Board Charter was conducted on 26 April 2022 and a copy of it is available on the Company’s website at www.kelington-group.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>In keeping with the principles of sound corporate governance, the Board is committed to promoting a culture of integrity and ethical values. The Company has put in place its own set of Code of Ethics and Conduct ("CoEC").</p> <p>The CoEC is applicable to all Directors and employees within the Group as well as third parties performing work or services for and on behalf of the Company. It governs the desired standard of behaviour and ethical conduct expected from each individual to whom the CoEC applies.</p> <p>In Year 2020, the Board has approved the adoption of the Anti-Bribery and Corruption Policy ("ABC Policy") which includes the No Gift Policy and the amended Whistleblowing Policy which applies to all Directors and employees of the Group as well as the Group's agents and contractors.</p> <p>The ABC Policy supplements the CoEC and serve as a control measure to address and manage the risk of fraud, bribery, corruption, misconduct, and unethical practices for the benefit of the long-term success of the Company and provides the basis on which the Company will be able to defend itself against any corruption charges that may be brought against the Company.</p> <p>In August 2021, the Board approved the conflict-of-interest policy and it has been implemented since September 2021.</p> <p>The Risk Management Committee ("RMC") reviews and approves the Group's anti-corruption compliance programme periodically to assess the performance, efficiency, and effectiveness of the Group's Anti-Bribery and Anti-Corruption ("ABC") processes.</p> <p>A platform was provided for its employees, business associates, and members of the public who have concerns on suspected misconduct (including fraud, bribery, theft, abuse of power, and violations of laws</p>

	<p>and regulations) to report the suspected incident directly to the Corporate Compliance and Integrity Department (“CCID”).</p> <p>Through the policies, the Group can preserve its culture of openness, accountability, and integrity to enable whistleblowers to express their concerns without fear of punishment or unfair treatment. All written reports shall be channelled directly to the CCID via email at ccid@kelington-group.com</p> <p>The ABC Policy, Code of Ethics and Conduct, Whistleblowing Policy, Conflict of Interest Policy are available on the Company’s corporate website.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has adopted a Whistleblowing Policy (“Policy”) that can be accessed at the Company’s website at www.kelington-group.com.</p> <p>The Policy facilitates the disclosure of improper conduct (wrongdoings or criminal offences) within the Group and provides guidance on how disclosures shall be made.</p> <p>The Audit Committee (“AC”) and Chief Executive Officer (“CEO”) of the Company have overall responsibility for the implementation of the Policy. The administration of the Policy is carried out by the Corporate Compliance and Integrity Department (“CCID”). The AC exercises the oversight function over the administration of the policy.</p> <p>The Policy sets out detailed procedures on how to make a complaint, the procedures after a complaint is received, and provides general information about whistleblowing and whistleblower protection.</p> <p>During FY 2021, no whistleblowing reports were received by the AC.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has a sustainability governance structure to oversee the implementation of sustainable practices across all our operations. The Board is responsible for steering the Group in the direction of achieving overall sustainable growth.</p> <p>The Board of Directors develops strategies to promote and strengthen a sound health, safety, and environmental (HSE) culture across the Group and supports long-term sustainability. The Board bears the ultimate responsibility for the effectiveness of the health, safety, and environmental risk management practices.</p> <p>The Board of Directors has entrusted the Risk Management Committee (“RMC”) with the responsibility of risk management oversight. We adopted an Enterprise Risk Management Framework to identify, evaluate, and manage principal risks for the Company.</p> <p>The RMC is supported by the Executive Management Committee (“EMC”). The EMC reviews quarterly progress to ensure best practices are embedded across the Group and is responsible for approving major sustainability initiatives.</p> <p>The EMC evaluates overall sustainability risks and opportunities; oversees implementation of the sustainability strategy; and assists in sustainability oversight by reviewing the Sustainability Statement.</p> <p>The Sustainability Working Group (“SWG”) oversees the operational aspects in relation to safety, health, social and environmental sustainability. The SWG shares report to the Group COO on a quarterly basis.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 4.2

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

Application	: Applied
Explanation on application of the practice	<p>Kelington Group seeks to improve our sustainability performance, transparency, and accountability, and the Board embeds sustainability performance measures in the business to manage ESG factors.</p> <p>The following sustainability targets are structured around two pillars: sustainable value creation and managing impacts:</p> <p><u>Sustainable Value Creation:</u></p> <ol style="list-style-type: none">1. To continue generating and distributing economic value to stakeholders by sustaining a resilient financial performance;2. To achieve an average of 12 training hours per employee per year; and3. To achieve an average Customer Satisfaction Rate of 90% <p><u>Managing Impacts:</u></p> <ol style="list-style-type: none">1. To maintain zero fatality rate at work2. To reduce our own CO2 emissions (industrial gas division) by at least 5% by FY2024;3. To reduce water intensity (industrial gas division) by 5%;4. To reduce electricity intensity (industrial gas division) by 5%; and5. To reduce non recycled waste intensity (engineering division) by 5%. <p>The Corporate Compliance and Integrity Department (“CCID”) leads compliance related initiatives under the direction and supervision of the Group Chief Operating Officer and in collaboration with the Sustainability Working Group and Working Committee across the Group.</p> <p>The objectives of these efforts implemented on a group basis, are to prevent ESG issues by thoroughly raising compliance awareness, including awareness of issues such as bribery and corruption, harassment, and discrimination, improving and strengthening compliance programs, and responding to specific compliance-related matters as they arise.</p>

	CCID reports integrity and compliance performance assessments to the Risk Management Committee at least once a year.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>To strengthen our core in our sustainable strategy framework, Kelington will ensure the Board comprises Directors with relevant ESG expertise and experience and will include ESG as one of the criteria to select future candidates for the Board.</p> <p>Kelington’s Executive Director reports to the Risk Management Committee on ESG risk management, at least once a year. The ESG Risk Register was presented to the Risk Management Committee in November 2021. In year 2021, the Management will focus on all ESG material topics identified by the stakeholders, while the Board will concentrate on two strategically important ESG topics, which are governance and ethics and economic growth and profitability.</p> <p>In year 2021, the Board established ESG related policies and guided the management and business functions in effectively implementing ESG strategies and addressing ESG issues.</p> <p>Please refer to page 48 of our Annual Report 2021 for more information on how we manage our sustainability matters.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board identified the key performance indicators ("KPIs") to monitor executive and senior management's performance. The current set of KPIs enables the Board to evaluate executive and senior management's performance in addressing Kelington's material sustainability matters. The KPIs achievement report was presented to the Board in August 2021.</p> <p>Please refer to our progress against the achievement of sustainability targets on pages 40 and 41 of this 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

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

Practice 4.5- Step Up

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

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

Application	:	Adopted
Explanation on adoption of the practice	:	In FY2021, the COO of the Group, Mr Ong Weng Leong was nominated by the Board to provide dedicated focus to managing sustainability strategically, including the integration of sustainability considerations into the operations of the Company. Mr Ong provides leadership over implementation of sustainability strategy and oversee departments in ensuring robustness of system of sustainability management.

Intended Outcome

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

Practice 5.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee reviewed the tenure of Independent Directors in the year 2021. In view of the long serving independent non-executive directors, the Board shall review its composition in early 2023 and evaluate the need to bring new skills and perspective to the boardroom.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>With effect from 20 December 2021, Kelington was added to the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index and thus defined as a Large Company under the MCGG. For Large Companies, the board shall comprise a majority of Independent Directors.</p> <p>The present composition of the Board with half of its members being Independent Directors is in compliance with Paragraph 15.02 of the MMLR of Bursa Malaysia, which stipulates that at least 2 Directors or 1/3 of the Board, whichever is higher, must be Independent Directors.</p> <p>To allow for more effective oversight of management as well as to support objective and independent deliberation, review and decision-making, the Nomination Committee shall refresh the composition of the Board by May 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.3

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>Mr Chan Thian Kiat and Mr Tan Chuan Yong, the independent directors of the Company have each served as Independent Director for a period more than twelve (12) years.</p> <p>The Nomination Committee ("NC") had assessed the independence of Mr Chan Thian Kiat and Mr Tan Chuan Yong and concluded both had fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements, and thus, they would be able to function as a checks and balances and bring an element of objectivity to the Board.</p> <p>Based on the recommendation of the NC, the Board agreed to seek shareholders' approval at the forthcoming 22nd Annual General Meeting to retain Mr Chan Thian Kiat and Mr Tan Chuan Yong as Independent Directors of the Company.</p> <p>The justification for retaining Mr Chan Thian Kiat and Mr Tan Chuan Yong as Independent Directors are set out on page 261 of the Annual Report 2021.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.4 - Step Up

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

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 5.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has entrusted the Nomination Committee with the responsibility to consider, review, and recommend the appointment of potential candidates to the Board as proposed by Management or any Director, major shareholder taking into consideration the candidates' skills, knowledge, expertise, experience, time commitment, character, professionalism, and integrity based on the Fit and Proper' Guidelines for key responsible persons as prescribed in the Board Charter.</p> <p>The appointment of Key Senior Management of the Company is based on merit and with due regard for diversity in skills, experience, age, and gender.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.6

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

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

Application	:	Applied	
Explanation on application of the practice	:	In FY2021, there was no new appointment of director. In the event that the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee shall provide the reason why the source was sufficed, and other sources were not used.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.7

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

Application	:	Applied
Explanation on application of the practice	:	There were no individuals standing for election as directors at 21 st AGM held on 15 June 2021. The Board will ensure that the notice of the general meeting at which an individual is standing for election as a director is accompanied by a statement containing the details of the individual, including his/her name, age, gender, working experience, and any conflict of interest as well as directorship in other companies.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.8

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

Application	: Applied
Explanation on application of the practice	<p>The Nomination Committee is responsible for assessing the adequacy and appropriateness of the board composition, identifying, and recommending suitable candidates for Board membership and also assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs, of the Company and determine skills matrix to support strategic direction and needs of the Company.</p> <p>The Terms of Reference of the Nomination Committee is set out in the Board Charter and is available at the corporate website.</p> <p>A summary of key activities undertaken by the Nomination Committee, in discharging its functions and duties during the financial year under review is set out below:</p> <ul style="list-style-type: none">• Reviewed and assessed annual assessment of the performance and effectiveness of the Board as a whole, Board Committees and contribution of each individual Director;• Reviewed and assessed the independence of the Independent Directors;• Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the AGM of the Company;• Considered the continuation of office of the Independent Non-Executive Directors who have served for a cumulative term of more than nine (9) years at the AGM of the Company.• Reviewed and assessed the term of office and performance of the Audit Committee and each of its members;• Reviewed and assessed the performance of the Chief Financial Officer; and• Assessed the training needs of the 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

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

Practice 5.9

The board comprises at least 30% women directors.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion, or gender throughout the organisation, which includes the selection of Board members.</p> <p>While the Board supports the philosophy of gender diversity in the Board Composition and Senior Management and recognises the benefits that it can bring, the Board believes that any new appointments of Directors and Senior Management should be based on their merit, skills and experience and not be driven by age, cultural background, and gender.</p> <p>The Board, through the Nomination Committee, will consider candidates of different genders, ethnicities and age with the appropriate skills, experience and characteristics sought as part of its selection exercise for the Board and Senior Management of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.10

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

Application	:	Applied
Explanation on application of the practice	:	<p>Kelington promote diversity and ensure that employees are treated equally, regardless of age, gender, race, religion, and background.</p> <p>As at 31st December 2021, Kelington Group Berhad has a total workforce of 492 employees across the 4 regions we operate in, a 19.7% increase as compared to Year 2020.</p> <p>In recent years, Kelington made average progress towards gender equality in our total workforce. Out which 68 executive employees in Kelington Group, 29% are female employees. In FY2021, 1 out of 10 Directors on the Board was female. Overall, Kelington achieved 25% female representation in the total workforce of Executive category and above.</p> <p>A workforce composed of different age demographics creates an environment where each generation brings different skills and talents to the table. In FY2021, 50% of our total workforce were under age group of 26-35 years- old while 21% were under age group of 36-45 years-old. In this mixed-age workforce, employees of all ages have the opportunity to teach, share, and learn from one another.</p> <p>In Year 2021, 79% of our total workforce was employed locally by the Kelington Group of Companies.</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

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

Practice 6.1

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

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

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
Application	: Applied
Explanation on application of the practice	: <p>The Nomination Committee (“NC”) undertakes annual evaluation to assess the effectiveness of the Board as a whole, the Board Committees and the contributions of each individual Director. The Board evaluation comprises Board Assessment, Individual Director Assessment and Assessment of Independence of Independent Directors.</p> <p>The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman’s role and responsibilities.</p> <p>For Individual Director Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of the role. In assessing the independence of Independent Non-Executive Directors for the financial year under review, the criteria set out in paragraph 1.01 of the Listing Requirements were deployed.</p> <p>The results of the assessment would form the basis of the NC’s recommendation to the Board for the re-election of Directors at the next Annual General Meeting (“AGM”).</p> <p>Based on the annual assessment conducted, the NC was satisfied with the existing Board composition and concluded that each of the Directors has the requisite competence to serve on the Board and has sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review.</p> <p>The NC recommended to the Board the re-election of retiring Directors and continuance in office of the Independent Non-Executive Directors who have served beyond 9 years as the Company’s independent Non-Executive Director, for shareholders’ approval at the Company’s forthcoming AGM.</p>

	In addition, the NC had reviewed the terms of office of the Audit Committee (“AC”) and each member of the AC and was of the opinion that the AC had discharged their duties and obligations effectively.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee ("RC") and the Board ensure that the Company's remuneration policy remains supportive for the Company's corporate objectives and is aligned with the interests of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre.</p> <p>The remuneration policy is available on the Company's website at www.kelington-group.com.</p> <p>The remuneration of Directors is reviewed by the RC and determined by the Board as a whole. The remuneration package for Executive Directors has been structured to link rewards to corporate and individual performance.</p> <p>The remuneration of Independent Non-Executive Directors' is in the form of Directors' Fees which reflects the diverse experience, skill sets, and level of responsibilities. In addition, the Independent Non-Executive Directors are also paid a meeting allowance based on their attendance.</p> <p>The remuneration for Non-Executive Directors who are Non-Independent and are representatives of the Kelington Group is not paid by the Company but are paid by the Kelington Group.</p> <p>The Directors' fees and benefits payable to the Independent Non-Executive Directors of the Company is subject to the shareholders' approval at the Company's Annual General Meeting.</p> <p>Directors do not participate in decisions regarding their own remuneration packages. The remuneration of Senior Management</p>

	which is not covered under the Group's Remuneration Policy are determined jointly by the Chief Executive Officer and Chief Operating Officer, taking into consideration the role, skills, competency, and performance of the individual.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 7.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established a Remuneration Committee (“RC”) which comprised exclusively Non-Executive Directors.</p> <p>The RC reviews and recommends to the Board annually the Board’s remuneration package and/or reward payments that reflect their respective contributions for the year, and which are dependent on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.</p> <p>The RC is governed by written Terms of Reference which deals with its authority and duties. The Terms of Reference of the RC is set out in the Board Charter and is available on the Company’s website at www.kelington-group.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	Instruction – Please disclose the required information in the table below. Sole reference to the annual report, without disclosing the required information in the table provided is not allowed.

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Ir. Gan Hung Keng	Executive Director	-	-	617,992	540,998	25,000	75,083	1,259,073	-	-	617,992	540,998	25,000	75,083	1,259,073
2	Ong Weng Leong	Executive Director	-	-	590,677	513,890	25,000	71,805	1,201,372	-	-	590,677	513,890	25,000	71,805	1,201,372
3	Chan Thian Kiat	Independent Director	48,400	400	-	-	-	-	48,800	48,400	400	-	-	-	-	48,800
4	Tan Chuan Yong	Independent Director	48,400	-	-	-	-	-	48,400	48,400	-	-	-	-	-	48,400
5	Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	Independent Director	44,400	-	-	-	-	-	44,400	44,000	-	-	-	-	-	44,400
6	Soo Yuit Weng	Independent Director	48,400	600	-	-	-	-	49,000	48,400	600	-	-	-	-	49,000
7	Ng Lee Kuan	Independent Director	44,000	-	-	-	-	-	44,000	44,000	-	-	-	-	-	44,000
8	Cham Teck Kuang	Non-Executive Non-Independent Director	-	-	-	-	-	-	-	-	-	370,100	185,049	-	9,182	564,331
9	Hu Keqin	Non-Executive Non-Independent Director	-	-	-	-	-	-	-	-	-	449,360	222,061	-	10,980	682,401
10	Soh Tong Hwa	Non-Executive Non-Independent Director	-	-	-	-	-	-	-	-	-	491,120	167,512	21,250	54,589	734,471

Intended Outcome

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

Practice 8.2

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

Application	:	Departure																																													
Explanation on application of the practice	:																																														
Explanation for departure	:	<p>The Board has considered the need for transparency in the disclosure of its Key Senior Management remuneration as recommended by the Malaysian Code on Corporate Governance 2021 and is of the opinion that the disclosure of remuneration details may be detrimental to its business interests, given the competitive landscape for key personnel with the requisite knowledge, technical expertise and working experience in the Company's business activities, where intense headhunting is a common industry challenge. Accordingly, the disclosure of specific remuneration information may give rise to recruitment and talent retention issues.</p> <p>The Key Management Personnel Compensation of the Group and the Company was disclosed on an unnamed basis in Note 39(b) of the Audited Financial Statement as at 31 December 2021, as detailed below:</p> <table border="1"> <thead> <tr> <th></th> <th colspan="2">The Group</th> <th colspan="2">The Company</th> </tr> <tr> <th></th> <th>2021</th> <th>2020</th> <th>2021</th> <th>2020</th> </tr> <tr> <th></th> <th>RM'000</th> <th>RM'000</th> <th>RM'000</th> <th>RM'000</th> </tr> </thead> <tbody> <tr> <td>(b) Other key management personnel:-</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Short-term employee benefits:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>- salaries, bonuses and other benefits</td> <td>5,163</td> <td>3,947</td> <td>921</td> <td>675</td> </tr> <tr> <td>Defined contribution benefits</td> <td>220</td> <td>197</td> <td>66</td> <td>36</td> </tr> <tr> <td>Share-based payments</td> <td>-</td> <td>262</td> <td>-</td> <td>59</td> </tr> <tr> <td></td> <td><u>5,383</u></td> <td><u>4,406</u></td> <td><u>987</u></td> <td><u>770</u></td> </tr> </tbody> </table> <p>The estimated monetary value of benefits-in-kind provided by Group and the Company to the other key management personnel were approximately RM6,000 (2020 – RM9,000) and RM6,000 (2020 – RM9,000) .</p>		The Group		The Company			2021	2020	2021	2020		RM'000	RM'000	RM'000	RM'000	(b) Other key management personnel:-					Short-term employee benefits:					- salaries, bonuses and other benefits	5,163	3,947	921	675	Defined contribution benefits	220	197	66	36	Share-based payments	-	262	-	59		<u>5,383</u>	<u>4,406</u>	<u>987</u>	<u>770</u>
	The Group		The Company																																												
	2021	2020	2021	2020																																											
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		The performance of Senior Management is evaluated on an annual basis and measured against the targets set for the year. The remuneration packages are reviewed annually, and adjustments to																																													

	<p>their remuneration are made based on their role, skills, competency, and the performance of the individual.</p> <p>The Company is of the view that the interests of the shareholders will not be prejudiced as a result of such non-disclosure on the basis of the remuneration of the Senior Management personnel who are not Directors.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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

Intended Outcome

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

Practice 8.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

No	Name	Position	Company ('000)					Total
			Salary	Allowance	Bonus	Benefits	Other emoluments	
1	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee (“AC”) consists of three (3) members, all of whom are Independent Non-Executive Directors.</p> <p>The AC is chaired by Mr Chan Thian Kiat, a Senior Independent Non-Executive Director who is distinct from the Chairman of the Board. The profile of Mr Chan is set out on page 19 of the Annual Report 2021.</p> <p>The responsibilities of the AC are outlined in the Terms of Reference (“ToR”) of the AC, including but not limited to review the Group’s risk management and internal control, financing reporting, and the appointment and performance of External Auditors and Internal Audit Function.</p> <p>The TOR of the AC is available on the Company’s website at www.kelington-group.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Audit Committee ("AC") has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC and the said policy has been incorporated in the Terms of Reference of the AC.</p> <p>The Terms of Reference of the AC is available at the Company's website at www.kelington-group.com.</p> <p>Currently, no former key audit partner of the External Auditors of the Company is appointed as a member of the AC.</p> <p>The AC together with the Board had on 26 April 2022 reviewed and updated the TOR of the AC to provide for a cooling-off period for a former key audit to be appointed as a member of the AC for at least three (3) years as recommended by the Malaysian Code on Corporate Governance 2021.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>An annual assessment of the competency and independence of the External Auditors was conducted by the Audit Committee ("AC") via a set of assessment questionnaires.</p> <p>In assessing the External Auditors' performance and suitability, the AC considered, inter-alia, the independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the External Auditors.</p> <p>The AC received assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accounts.</p> <p>Based on the outcome of the annual assessment conducted in April 2022 on the External Auditors' performance, technical competence, and professional independence, the AC was satisfied with the External Auditors' performance and recommended to the Board the reappointment of Messrs. Crowe Malaysia PLT as the External Auditors of the Company for the financial year ending 31 December 2022, a resolution of which will be tabled at the forthcoming 22nd AGM to be voted on by the shareholders.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises all Independent Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.5

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

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

Application	:	Applied	
Explanation on application of the practice	:	All members of the Audit Committee ("AC") are financially literate and assist the Board in overseeing and scrutinising the process and quality of the financial reporting and ensuring accuracy, adequacy and completeness of the report, as well as compliance with the relevant accounting standards. The AC members undertake continuous professional development and have an annual discussion with the external auditors on financial reporting development to keep themselves abreast of the relevant developments in accounting and auditing standards, practices, and rules.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board oversees, reviews, and monitors the operation, adequacy and effectiveness of the Group's system of internal control. The Board is responsible to define the level of risk appetite, approving and overseeing the operations of the Group's Risk Management Framework, assessing the effectiveness and reviewing any major or significant risk facing the Group.</p> <p>To assist the Board in maintaining a sound system of internal controls, the Board has established a Risk Management Committee comprising wholly Non- Executive Directors and chaired by an Independent Director, to assist the Board in identifying, assessing, managing, monitoring and reporting underlying risks within the Group.</p> <p>The Risk Management Committee shall oversee the risk management process of the Group, review the Group's risk management framework and major risk policies and make relevant recommendations to Management to update the Group Risk Profiles.</p> <p>The Board has been integrating the risk issues into their decision-making process whilst maintaining the flexibility to lead the business of the Group through the ever-changing internal and external environments.</p> <p>The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.</p> <p>The Board has outsourced the internal audit function to an independent assurance provider, namely GRC Consulting Services Sdn. Bhd. to provide an independent appraisal on the system of internal controls of the Group to the AC.</p> <p>Key policies and frameworks, such as the Risk Management Framework, are reviewed by the Risk Management Committee before they are approved by the Board for application.</p>

	For detailed information, please refer to the Statement on Risk Management and Internal Control in the Annual Report of the Company.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 10.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges that the Group's business activities involve some degree of risk, and thus, key management staff and heads of departments are delegated with the responsibility to manage identified risks within defined parameters and standards.</p> <p>Features of the risk management and internal control framework of the Company are set out in the Statement on Risk Management and Internal Control.</p> <p>Amongst others, these include:</p> <ul style="list-style-type: none">• The Executive Management Committee supports the Board in the operations of the Group and manages all the Group's business divisions in accordance with corporate strategies and business objectives, policies, key performance indicators and annual budgets as approved by the Board.• The Audit Committee, with the assistance of the Risk Management Committee ("RMC"), has oversight over the Group's risk management framework, and obtains assurance, through the independent consultant appointed, on the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also consults the independent external auditors of the Group, whenever required.• The RMC oversees and performs regular reviews on the risk management processes of the Group's business and operations to ensure prudent risk management.• The Nomination Committee and Remuneration Committee assist the Board, including but not limited to reviewing and recommending appropriate remuneration policies for Directors, reviewing succession plans, recommending candidates to the Board, and evaluating the performance of the Board as a whole and the contributions of each individual Director (including Board Committees) on an annual basis.• The General Manager of the respective business divisions of the Group manages their operations and reports to the Executive Management Committee at the Group Level.

	<ul style="list-style-type: none"> • Corporate Compliance and Integrity Department (“CCID”) to ensure business processes follow all relevant legal and internal guidelines; and to review internal process, developing company policies, and responding to policy violations. • Sustainability Working Group oversees the operational aspect in relation to the environment, social (including health & safety) and governance. <p>The Group’s Internal Audit Function assists the Board and the Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group’s internal control system.</p> <p>The Board received assurance from the Group Chief Executive Officer and Chief Financial Officer that the Group’s risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group’s objectives during the financial year under review.</p> <p>The Statement on Risk Management and Internal Control as included in the 2021 Annual Report provides an overview of the internal control framework adopted by the Company during the financial year 2021.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 10.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has outsourced the internal audit function to an independent assurance provider, namely GRC Consulting Services Sdn. Bhd. to provide an independent appraisal of the system of internal control of the Group to the Audit Committee (“AC”).</p> <p>The main role of the Internal Audit Function is to review the effectiveness and adequacy of the Group’s existing internal control policies and procedures and to provide recommendations, if any, for the improvement of the control policies and procedures. The Internal Auditors have direct access and report all matters of internal control to the AC.</p> <p>The AC had, in April 2022, conducted an evaluation of the Internal Audit Function, in terms of competence, quality, and timeliness of reporting as well as independence for the financial year 2020. Based on the results of the evaluation, the AC is satisfied that the Internal Audit Function is effective and able to function independently.</p> <p>During the financial year under review, the internal auditors conducted a review of the Group in accordance with the Internal Audit Plan, which has been approved by the AC.</p> <p>Details of the Internal Audit Function are set out in the AC report in the 2021 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 have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has outsourced the Internal Audit (“IA”) Function to GRC Consulting Services Sdn. Bhd. to assist the Board and the Audit Committee in providing an independent assessment on the adequacy, efficiency, and effectiveness of the Group’s internal control system and make recommendations for improvement.</p> <p>The Engagement Executive Director is Mr. Affeiz Abdul Razak who has diverse professional experience in internal audit, risk management and corporate governance advisory.</p> <p>He is currently one of the Governors on the Institute of Internal Auditors Malaysia’s (IIAM) Board and had served previously as the Honorary Treasurer and Honorary Secretary of IIAM. He is a Chartered Member of the Institute of Internal Auditors Malaysia – CMIIA, Certified Financial Services Auditor – CFSA (US) and has Accreditation in Internal Audit Function Assessment Validation by IIA (US), Associate Member of the Association of Certified Fraud Examiners (US), Member of the Business Continuity Institute (UK) – MBCI (UK), Affiliate Member of the Institute of Risk Management (UK), Certified Business Continuity Institute (UK) Professional - CBCI with Merit (UK), Member of the Institute of Corporate Directors Malaysia and Associate Member of the Asian Institute of Chartered Bankers.</p> <p>The number of staff deployed for the IA reviews ranges from 3 to 4 per visit including the engagement Executive Director. The staff involved in the IA reviews possess professional qualifications and/or a university degree.</p> <p>Most of them are members of the IIAM. The IA staff on the engagement are free from any relationships or conflicts of interest that could impair their objectivity and independence. The IA was conducted using a risk-based approach and was guided by the International Professional Practice Framework (“IPPF”).</p>

	The information on the Internal Audit function is available in the Statement on Risk Management and Internal Control in the 2021 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

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

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group recognises the importance of prompt and timely dissemination of information to the shareholders and the investors, in order for these stakeholders to be able to make informed investment decisions. Towards this, the Company's website at www.kelington-group.com incorporates a corporate section which provides all relevant information on the Company and is accessible by the public. This corporate section enhances the investor relations function by including all announcements made, annual reports as well as the corporate and governance structure of the Company.</p> <p>The Company has put in place a Corporate Disclosure Policy with the objective of ensuring communications to the public are timely, factual, accurate, complete, broadly disseminated and, where necessary, filed with regulators in accordance with applicable laws and a disclosure committee comprised of Executive Directors and Chief Financial Officer.</p> <p>The Board and Management have at all times ensured timely dissemination on the Company's performance and other matters affecting shareholders' interests to the shareholders and investors through appropriate announcement (where necessary), quarterly announcements, relevant circulars, press releases, and distribution of annual reports.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 12.2

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	:	Kelington was added to the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index and thus defined as a Large Company under the MCCG with effect from 20 December 2021.	
	:	We support the United Nations' Sustainable Development Goals (SDGs) and, like many other businesses, we have identified which of those goals our business aligns with. We discuss this alignment and our activities in support of the SDGs in the 2021 Annual Report.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	To disclose the non-financial sections of Annual Report in accordance with the GRI Standards: Core Option.	
Timeframe	:	Within one year	

Intended Outcome

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

Practice 13.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>In 2021, the Notice of the 21st Annual General Meeting (“AGM”) was sent to the shareholders at least 28 days before the AGM, in advance of the 21-days requirement under the Company’s Constitution, the Companies Act 2016 and the Listing Requirements, which provides additional time to the shareholders to allow them to make the necessary arrangements to attend and participate in person or by corporate representatives or proxies, and consider the resolutions that will be discussed and decided at the AGM.</p> <p>The Company also provides details of the AGM to the shareholders with regard to the eligibility of the shareholders, their rights to appoint proxies and other relevant information pertaining to the AGM.</p> <p>In addition, there are explanatory notes providing detailed explanations of the resolutions to be tabled at the AGM to enable the shareholders to make informed decisions in exercising their voting rights.</p> <p>The Notice for the forthcoming 22nd AGM was given to the shareholders 28 days before the meeting.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 13.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors attended the fully virtual 21 st Annual General Meeting and extraordinary general meeting held on 15 June 2021. The Directors, Chief Financial Officer and External Auditors were in attendance to answer questions raised by the shareholders.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 13.3

Listed companies should leverage technology to facilitate–

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The 21st AGM and EGM of the Company held on 15 June 2021 were conducted on a virtual basis through live streaming and online remote voting at the Broadcast Venue, Lot 9-11 Menara Sentral Vista, No. 150 Jalan Sultan Abdul Samad Brickfields, 50470 Kuala Lumpur via the Dvote Online website at https://www.DigitalVote.my using the Remote Participation and Voting Facilities ("RPV"). Dvote Services Sdn. Bhd. ("Dvote") was appointed as the Poll Administrator for the 21stAGM and EGM of the Company to facilitate the RPV via its Dvote Online website at https://www.DigitalVote.my.</p> <p>The Company has engaged Dvote to provide the RPV. Dvote has confirmed with the Company that it has implemented an IT policy and Information Security policy, endpoint controls, and data classification for cyber hygiene practices of its staff. Stress tests and penetration testing were performed on Dvote online in June 2021 to test its resiliency.</p> <p>Dvote Online is hosted in a secure cloud platform and the date center is ISO27001 certified.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 13.4

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

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
Application	: Applied
Explanation on application of the practice	: All the shareholders could raise questions, including but not limited to the Company's financial and non-financial performance and long-term strategies. With respect to the 21 st AGM and EGM held in June 2021, shareholders submitted their questions prior to the conduct of the meetings via email to ccid@kelington-group.com Besides, shareholders were also allowed to submit their questions via the RPV during the meetings. Directors and senior management answered the questions raised by shareholders during the meetings.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

Intended Outcome

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

Practice 13.5

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

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
Application :	Applied
Explanation on application of the practice :	The 21 st AGM and EGM of the Company was held on a virtual basis through live streaming and online remote voting from a Broadcast Venue using the RPV provided by Dvote via its Dvote Online website at https://www.DigitalVote.my . The broadcast of the 21 st AGM and EGM was smooth through the RPV. The Chairman, Directors and/or senior management responded to the questions raised by shareholders via RPV/email verbally.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 13.6

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

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>		
Application	:	Applied
Explanation on application of the practice	:	The minutes of the 21 st AGM and EGM of the Company were made available on the Company's website at www.kelington-group.com within 30 business days from the date of the meetings.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**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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