

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 3034  
**COMPANY NAME** : Hap Seng Consolidated 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The board of directors ("Board") of Hap Seng Consolidated Berhad ("HSCB" or the "Company") is committed to foster a corporate governance culture that is grounded on the hallmarks of accountability, objectivity and transparency. As fiduciaries, the Board members are fully cognisant of the need to discharge their duties and responsibilities with unfettered judgment, due care and skill at all times.</p> <p>The Board is responsible for governing the business and affairs of the Company. The Board sets the strategic direction of HSCB and monitors the outcome of efforts to reach that direction. The Board institutes regular reviews and approves the objectives, strategies, business plans and monitors performance against established plans. The Business Plan 2022 was approved by the Board during the Board meeting held on 25 November 2021. The Board has also established key performance indicators to define, measure and monitor the performance and progress towards achieving the Company's goals.</p> <p>In setting the "tone from the top", the Board is committed to drive ethics and HSCB's cultural values amongst employees. Honesty and integrity are key values as the Board believes that the success of HSCB's business is built on the foundations of trust and confidence.</p> <p>Board Committees are established by the Board to assist the Board with oversight functions in selected responsibility areas. Managing director of the Company ("Managing Director") and executive/senior management team ("Management") are responsible for implementing policies and strategies of the Board and overseeing HSCB's operations. The demarcation of responsibilities between the tripartite parties of the Board, Board Committees and Management is outlined in the board charter of HSCB ("Board Charter"). While the Board delegates its responsibility in accordance with the matters reserved in the board charter, the Board at all times exercises collective oversight function of the Board Committees and Management.</p>

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

### 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>	:	<p>The Board is led by Mr. Thomas Karl Rapp, an independent chairman ("Chairman").</p> <p>The Chairman is responsible for leading and ensuring effective conduct of the Board. In fulfilling this role, he amongst others carries out the following:</p> <ul style="list-style-type: none"> <li>• ensuring that appropriate procedures are in place to govern the Board's operations;</li> <li>• setting the agenda, style and tone of Board deliberations, facilitating effective review, analysis, discussions and contributions by each director with sufficient time allocated for discussion of complex and contentious issues, encouraging constructive debate so as to enable a sound decision-making process;</li> <li>• ensuring accurate and timely information, in particular about the performance of the Company, is furnished to Board members;</li> <li>• establishing a close relationship of trust with the Management, Managing Director and Board, providing support and advice while respecting executive responsibility and hence, fostering a constructive relationship or partnership with the Board and Management team;</li> <li>• leading efforts to address the Board's developmental needs; and</li> <li>• chairing of general meetings, and ensuring a smooth, open and constructive dialogue between the Board and the shareholders; and establishing and monitoring good governance practices in the Company.</li> </ul> <p>The responsibilities of the Chairman are set out in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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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 1.3**

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 positions of Chairman and Managing Director are held by different individuals (i.e. Mr. Thomas Karl Rapp as the Chairman and Datuk Edward Lee Ming Foo as the Managing Director).</p> <p>The Chairman leads the Board in its collective oversight of Management and the Managing Director focuses on the business and day-to-day management of the Company. The division of responsibilities between the Chairman and Managing Director is clearly articulated on the Board Charter.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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>	
<b>Application</b>	: Departure
<b>Explanation on application of the practice</b>	:
<b>Explanation for departure</b>	: Presently, the Chairman is a member of the Audit Committee, Nominating Committee and Remuneration Committee ("Board Committees"). Upon due analysis, the Board recognises the perceived or potential, although not factual, risk of self-review by the Chairman assuming membership of the Board Committees. This being the case, the Nominating Committee will continue to do the necessary in reviewing and recommending the appropriate candidates to the Board to replace the Chairman's membership in the Board Committees, which process may take up to two years.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	: Nominating Committee would review and recommend suitable Board members to replace of the Chairman in various Board Committees.
<b>Timeframe</b>	: Others

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by professionally qualified and competent Company Secretary, namely, Ms. Lim Guan Nee.</p> <p>The Board is regularly apprised and advised by the Company Secretary on statutory and regulatory requirements, roles and responsibility as well as pertinent governance matters. In discharging their role as counsels to the Board, the Company Secretary also ensures proper supply of relevant information as well as the accuracy and adequacy of meeting materials, organising and facilitating the convening of board meetings, meetings of the board committees, general meetings, in consultation with the chairman, recording of meeting minutes and resolutions of the Board and Board Committees. The Company Secretary also serves as a focal point for stakeholders' communication and engagement on corporate governance issues.</p> <p>The Company Secretary constantly keep herself abreast of changes in the realm of corporate governance through continuous professional development. During the year 2021, she attended various external training in relation to changes in regulatory requirements.</p> <p>Process flows on the operational processes and procedures of the secretarial function have been put in place to guide the day-to-day running of the function. Detailed information on the functional accountabilities of the Company Secretary is encapsulated in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Board members are given appropriate materials in advance of each Board and Board Committee meetings. For Board meetings, these materials include but not limited to:</p> <ul style="list-style-type: none"><li>• Annual and quarterly financial statements;</li><li>• Report on current trading and business issues from the managing director;</li><li>• Proposals for capital expenditures (if any);</li><li>• Proposals for acquisitions and disposals not in the ordinary course of business (if any);</li><li>• Annual budget or business plan;</li><li>• Risk management status report;</li><li>• Management discussion and analysis to be incorporated in the Company's annual report;</li><li>• Statement on risk management and internal control;</li><li>• Sustainability statement;</li><li>• Corporate governance report and statement; and</li><li>• Reports of the Board Committees.</li></ul> <p>These meeting materials and notice to the meeting are furnished to the Board members at least five business days in advance of the meeting. Exceptions may be made in certain ad-hoc or urgent instances when directors unanimously consent to a shorter notice period and elapsed timeframe for the provision of meeting materials.</p> <p>In order to ensure directors are well-informed of the proceedings that took place, the minutes of the meetings are recorded by the Company Secretary and circulated to the Board members in a timely manner upon conclusion the relevant meeting. The minutes of meetings record the decisions, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views.</p>

	In addition to the provision of meeting materials, the Board also authorises directors to seek independent professional advice, if necessary, at the Company's expense in the furtherance of their duties (as stated in paragraph 15.04 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad). Prior to incurring the professional fees, the directors shall obtain written approval from the Managing Director on the nature and the fees of the professional advice to be sought.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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>The Board has in place a Board Charter that serves as a primary reference and literature document which guides the governance and conduct of the Board.</p> <p>The Board Charter inter alia outlines the following:</p> <ul style="list-style-type: none"><li>• Board composition;</li><li>• Board appointments;</li><li>• Meetings and Board attendance;</li><li>• Role and responsibilities of the Chairman, Managing Director and Company Secretary;</li><li>• Board functions and responsibilities;</li><li>• Board Committees comprising the Audit, Nominating and Remuneration Committee;</li><li>• Dichotomy between the Board and Management's role and responsibilities;</li><li>• Values, ethos, principles and Code of conduct and ethics including anti-bribery and corruption policy and whistle-blowing policy;</li><li>• Stakeholder communication policy; and</li><li>• Sustainability.</li></ul> <p>In developing and reviewing the Board Charter, the Board has taken into account the applicable rules, laws and regulations as well as internal policies.</p> <p>The Board Charter is periodically reviewed by the Board and updated based on the prevailing regulatory promulgations. The board charter is available on the Company's website.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

### 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>In tandem with HSCB's aspiration to instil and promote appropriate standards of conduct and ethical practices, the Board has established a code of conduct and ethics ("Code of Conduct") that is to be strictly complied with by the Board members and Management. For the avoidance of doubt, the provisions of the Code of Conduct are in addition to any other obligations imposed on the Board members by any applicable rules, laws and regulations.</p> <p>The Code of Conduct of the Company covers the following areas:</p> <ul style="list-style-type: none"> <li>• Principles and values such as honesty and integrity;</li> <li>• Compliance with rules, laws and regulations (including but not limited to abuse of power, corruption, insider trading and money laundering);</li> <li>• Conflicts of interest;</li> <li>• Confidentiality;</li> <li>• Whistle-blowing;</li> <li>• Corruption and bribery practices;</li> <li>• Use of the Company's assets; and</li> <li>• Money laundering.</li> </ul> <p>The Code of Conduct is reviewed periodically by the Board and published on the Company's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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>	:	<p>The Board, has formalised a whistle-blowing policy that is applicable to all Board members, employees, business associates and external providers (“said Parties”) of the Group. The whistle-blowing policy outlines avenues for the said Parties to raise legitimate concerns relating to potential breaches of business conduct, non-compliance with legal and regulatory requirements as well as other malpractices. The whistle-blowing policy is underpinned by good faith in reporting, protection from reprisal as well as strict confidentiality of the whistle-blower’s identity.</p> <p>Any of the said Parties who believes or has reasonable grounds to believe that inappropriate business conduct has occurred or is occurring should report their concerns using the available reporting channels as stated in the anti-bribery and corruption policy. Such reports when made in good faith shall be assessed and looked into in a timely manner. The whistle-blowers must seek to set out as much information as possible in the report to facilitate and enable proper and objective investigations.</p> <p>The whistle-blowers and/or their interests will not in any way be implicated or impaired whatever the outcome of the investigation is, so long as the reports have been made in good faith.</p> <p>The whistle-blowing policy is reviewed by the Board periodically and published on the Company’s website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board oversees the management of the Company and its subsidiaries' ("Group") sustainability strategy. The Sustainability Committee, chaired by the Managing Director with participation from heads of business division, is to assist the Board to achieve the overall effectiveness and adequacy in the management of environmental, social and governance (ESG) issues in accordance to the sustainability framework. Sustainability Committee is responsible in overseeing the progress on delivering of the sustainability commitments and identify future sustainability-related risks and opportunities to the Group. The Sustainability Committee is also responsible to align the Group's expectation and business strategy to the sustainability focus areas.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Our sustainability strategies, priorities and targets are formulated in accordance to the materiality assessment conducted at annual basis. Progress and performance towards the targets are transparently published through the sustainability statement.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Going forward, Board will be updated and stay abreast with the sustainability-related matters discussed in the Sustainability Committee.  Relevant trainings will be recommended to the Board to enhance understanding on latest development in sustainability matters.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board and Management are still in the process of identifying and adopting suitable sustainability KPIs into their performance review process.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Measurement to be based on identified sustainability KPIs	
<b>Timeframe</b>	:	Within 3 years	

### 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.*

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	Sustainability management in HSCB is spearheaded by Mr. Andrew Kuan Yee Chuan, Senior General Manager of Corporate Planning & Investors Relation Department (“CPIR”). CPIR to ensures the sustainability framework is adhered to within the Group and continuously engages with relevant internal and external stakeholders such as employees, customers, suppliers, regulators, investors and industry association/ civil society to ensure the Group’s sustainability focus areas remain relevant and identify new ones that could add value to the businesses and stakeholders.

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee undertakes periodic review of their Board composition and tenure of each Board members.</p> <p>All the independent non-executive directors have served the Board for less than nine years as at 31 December 2021 except for Lt Gen (R) Datuk Abdul Aziz Bin Hasan, who will retire in accordance with clause 116 of the Company's constitution at the forthcoming annual general meeting which to be held on 26 May 2022 ("AGM 2022"), will not be seeking re-election and accordingly, he will retire at the conclusion of the AGM 2022.</p> <p>During the Nominating Committee meeting held on 24 February 2022, the Nominating Committee conducted directors' self and peer assessment to evaluate and determine the respective performance as well as eligibility of the following directors who are to retire in accordance with clause 116 of the Company's constitution to stand for re-election at the AGM 2022:-</p> <p>(a) Mr. Lee Wee Yong (Executive Director); and (b) Datuk Simon Shim Kong Yip (Non-independent Non-executive Director).</p> <p>In the Nominating Committee's evaluation, they took into account the skills, experience, integrity, tenure, competency, commitment and contribution of the respective director. Upon due deliberation, the Nominating Committee concluded that each such retiring director has performed to the expectation of the committee. Accordingly, the Board approved of the recommendations of the Nominating Committee, namely such retiring directors are eligible to stand for re-election during the AGM 2022.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Independent directors contribute the element of detached impartiality to the decision-making process and oversight function of the Board. Under their watchful eyes and inquiring minds, the presence of independent directors allows the Board to apply heightened professional vigilance and appropriately challenge Management in an unbiased manner.</p> <p>Recognising the value that independent directors add to the Board and the Company as a whole, the Board strives to ensure that there is a majority of independent directors on its Board. The Board presently comprises six independent directors, one non-independent non-executive director and three executive directors including the Managing Director.</p> <p>As additional measures to safeguard independence, the Board has formalised a Board Charter which clearly sets out matters reserved for the Board as well as the non-overlaps of independent directors between HSCB and its subsidiaries. These mechanisms jointly allow for the relevant checks and balances to ensure that no one individual director has unfettered powers or assumes a dominant position in the Board's decision making process.</p> <p>In addition, the higher nomination of non-executive directors compared to executive directors helps to mitigate any possible conflicts of interest between the policy-making process and the day-to-day management of the Company.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### 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.

<b>Application</b>	:	Applied								
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee assesses the independence of independent director who has served as an independent non-executive director for a cumulative term of more than nine years and recommend such director for re-election subject to satisfactory outcome of the evaluation.</p> <p>At the annual general meeting held on 25 May 2021 ("AGM 2021"), the Board tabled the resolution on the continuing in office as independent non-executive director by Lt Gen (R) Datuk Abdul Aziz Bin Hasan was duly passed by the shareholders of the Company by way of poll and the voting result was as follows:-</p> <table border="1"><thead><tr><th rowspan="2">Resolution</th><th colspan="2">Voted</th></tr><tr><th>For</th><th>Against</th></tr></thead><tbody><tr><td>To approve the continuation of Lt Gen (R) Datuk Abdul Aziz Bin Hasan as an independent non-executive director of the Company</td><td>91.56%</td><td>8.44%</td></tr></tbody></table> <p>As part of the periodic refreshing of the Board composition, Lt Gen (R) Datuk Abdul Aziz Bin Hasan, having served as an independent non-executive director of the Company for more than nine years as at 31 December 2021 will retire by rotation as a director in accordance with clause 116 of the Company's constitution. As he will not be seeking re-election, Lt Gen (R) Datuk Abdul Aziz Bin Hasan will retire at the conclusion of the AGM 2022.</p>	Resolution	Voted		For	Against	To approve the continuation of Lt Gen (R) Datuk Abdul Aziz Bin Hasan as an independent non-executive director of the Company	91.56%	8.44%
Resolution	Voted									
	For	Against								
To approve the continuation of Lt Gen (R) Datuk Abdul Aziz Bin Hasan as an independent non-executive director of the Company	91.56%	8.44%								
<b>Explanation for departure</b>	:									
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>										

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 5.4 - Step Up**

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

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

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

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board regularly reviews its composition with the aim to ensure that it achieves a diverse board which is able to bring to bear a breadth of perspectives. In sourcing for suitable candidates, the Company takes into account the benefits of having different facets of diversity including gender, age, ethnicity, nationality, professional background, skills and experience.</p> <p>The Board is currently made up of members with a mixed skill-sets, knowledge and experience (e.g. accounting, legal, finance and economics, engineering and business management), cultural background (Malay, Chinese and German) and age (range between 53 - 76).</p> <p>All the directors of HSCB do not hold more than five directorships in listed issuers. This is to ensure that his/her competing time commitments would not impair his/her ability to discharge his/her duties effectively.</p> <p>The appointment of senior management is also based on predetermined criteria of skill sets and leadership qualities, driven by their respective job descriptions. HSCB has also put in place human resource programmes which seek to address the need for capable individuals at the senior management level, taking into account the different dimensions of diversity.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

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

### Practice 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>At present, appointments to the Board are decided by the members of the Board based on recommendations of the Nominating Committee. Directors' network and referrals from incumbent Directors and business associates are the primary means to source for Directors at HSCB as they represent a tried and tested method of sourcing high-calibre directors with a sound understanding of the business imperatives.</p> <p>The directors' appointment process is carried out based on methodical and robust process undertaken by the Nominating Committee. Candidates are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in paragraph 2.20A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad and board charter.</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>	:	As and when a Board vacancy should arise in the future, in addition to obtaining referrals from directors, business associates and Management, the Board will utilise independent source such as directors' registry to select candidates to be appointed.
<b>Timeframe</b>	:	Within 3 years or such time when such Board vacancy should arise

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The profile for each director is set out in the Company's annual report. Details provided in the director's profiles include the directors' shareholding in the Company, their current and past directorship, their working experience and etc.</p> <p>The information for the directors who are standing for re-election during the AGM 2022 and the reasons for the Board to support the re-election of directors are disclosed in the explanatory notes to the agenda of the AGM 2022.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee is chaired by Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah, who is the senior independent director ("SID") of the Company.</p> <p>As the chairman of the Nominating Committee and the SID, Dato' Wan Fadzmi plays the role as the sounding board to the Chairman as well as to lead the performance evaluation of the chairman and members of the Board and Board Committees.</p> <p>In discharging his duties as the chairman of the Nominating Committee, he undertakes to perform the following:</p> <ul style="list-style-type: none"><li>• lead the annual review of board effectiveness evaluation, ensuring that the performance of the Board, Board Committees and each individual director is assessed objectively and holistically;</li><li>• lead the succession planning and appointment of Board members as well as Management; and</li><li>• lead the assessment of directors' training needs periodically with the aim of devising relevant professional development programmes based on such assessment for recommendation to the Board.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board currently comprises one female director, namely, Ms. Cheah Yee Leng, which is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that stipulated a listed issuer must have at least one female director on board.</p> <p>The Company has been a proponent of gender diversity across all levels, predicated on a fully meritocratic system without favour or bias.</p> <p>The Board believes that gender diversity contributes to talents and skills heterogeneity, which brings about different perspectives, better business outcomes and better business performance.</p> <p>As at 31 December 2021, female employees assumed 40.12% of all managerial positions within the Group, from low-level management to C-suite.</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>	:	The Company continues to encourage mentoring of junior female employees by senior female executives within the Group. This will eventually deepen the internal female talent pool for potential female candidates to be appointed onto the Board.
<b>Timeframe</b>	:	Others

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company has been a proponent of gender diversity across all levels, predicated on a fully meritocratic system without favour or bias.</p> <p>The Board believes that gender diversity contributes to talents and skills heterogeneity, which brings about different perspectives, better business outcomes and better business performance.</p> <p>As at 31 December 2021, female employees assumed 40.12% of all managerial positions within the Group, from low-level management to C-suite.</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>	:	The Company continues to encourage mentoring of junior female employees by senior female executives within the Group. This will eventually deepen the internal female talent pool for potential female candidates to be appointed onto the Board.
<b>Timeframe</b>	:	Others

## 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>	
<b>Application</b>	: Departure
<b>Explanation on application of the practice</b>	:
<b>Explanation for departure</b>	: Facilitated by the Nominating Committee, HSCB conducted an annual evaluation to determine the effectiveness of the Board, its committees and each individual director for the financial year ended 31 December 2021. The process is carried out via questionnaires, using a self and peer-rating model. Assessment criteria revolved around the mix and composition of the Board and Board Committees, quality of information and decision making and boardroom activities. The questionnaires were previously designed and formulated by an independent expert, namely, KPMG Management & Risk Consulting Sdn Bhd.
	Key findings of the assessments for FYE 31 December 2021 were summarised as follows: <ul style="list-style-type: none"> <li>• That board members have participated in effective and constructive board deliberations, which facilitated and enabled the making of informed board decisions;</li> <li>• To consider the adoption of paperless meetings. Meeting papers are to be sent by soft copies using the laptops. As the meeting files are not voluminous, therefore, the Board concluded that hardcopy is acceptable at this juncture; and</li> <li>• To consider the appointment of a director with good IT knowledge as when vacancies should arise.</li> </ul>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	: The Board may appoint a suitable independent expert to facilitate evaluations of the Board on a periodic basis as and when the Board deems necessary.

<b>Timeframe</b>	:	Others	
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### Intended Outcome

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

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

### Practice 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has put in place remuneration policy and procedures which are premised on the need for the remuneration practices of the Company to be performance-based and competitive, thereby enabling the Company to attract and retain high-calibre directors and senior management.</p> <p>Executive directors hold the highest level of management responsibility and operational decision-making authority within the Company. The remuneration components have been structured to link rewards to corporate and individual performance. The performance of executive directors and senior management team is measured by the achievement of the Group's and the respective business divisions' objectives.</p> <p>Non-executive directors help to mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the Company. The remuneration policy for non-executive director is to ensure that the remuneration commensurate with their respective responsibilities and commitments to the Board and the Group.</p> <p>Remuneration policies and procedures are periodically reviewed by the Board and have been made available on the Company's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Remuneration Committee which comprises solely non-executive directors and a majority of independent directors. The Remuneration Committee serves to assist the Board in developing and administering a fair and transparent procedure for setting policy on remuneration of executive directors and senior management as well as non-executive director.</p> <p>During the Remuneration Committee meeting held on 16 December 2021, the committee reviewed the executive directors and senior management's emoluments inclusive of benefits for the financial year ending 31 December 2022 and bonus for the financial year ended 31 December 2021. Such review was to ensure that the remuneration package of executive directors and senior management remain attractive and in line with the industry forecast for 2021/2022 for the average salary increment and bonus. After taking into account the overall satisfactory the Group's performance and the contributions of the individual executive directors and senior management, the Remuneration Committee recommended the proposed increment and bonus payable to executive directors and senior management to the Board for approval.</p> <p>The level of remuneration for non-executive directors is determined based on the level of expertise, experience, responsibilities undertaken and time commitment required of the non-executive directors. Pursuant to section 230(1) of the Companies Act 2016, the Company shall at every annual general meeting ("AGM") approve of the fees payable to the directors of the Company and its subsidiaries. The Remuneration Committee is responsible for conducting a regular review of the fees payable to non-executive directors and members of the Board Committees. This is to ensure that the Chairman and non-executive directors as well as the chair and members of the respective</p>

	<p>Board Committee are appropriately remunerated in line with the market benchmarking.</p> <p>The last increase in fees payable to the Chairman and non-executive directors as well as the chairman and members of the respective Board Committee was approved by shareholders of Company during the AGM held on 30 May 2018. Based on the recommendations of the Remuneration Committee at its meeting dated 24 February 2022, the Board had approved of the following proposed revised fees with effect from 1 January 2021 subject to shareholders' approval to be obtained during the AGM 2022:</p> <table border="1" data-bbox="560 622 1391 1167"> <thead> <tr> <th data-bbox="560 622 946 730">Director's fee payable to:</th> <th data-bbox="946 622 1166 730">Approved current fees (per annum)</th> <th data-bbox="1166 622 1391 730">Proposed fees to be approved (per annum)</th> </tr> </thead> <tbody> <tr> <td data-bbox="560 730 946 763">Chairman</td> <td data-bbox="946 730 1166 763">180,000.00</td> <td data-bbox="1166 730 1391 763">210,000.00</td> </tr> <tr> <td data-bbox="560 763 946 797">Non-executive director</td> <td data-bbox="946 763 1166 797">100,000.00</td> <td data-bbox="1166 763 1391 797">115,000.00</td> </tr> <tr> <td data-bbox="560 797 946 831">Audit committee chairman</td> <td data-bbox="946 797 1166 831">15,000.00</td> <td data-bbox="1166 797 1391 831">20,000.00</td> </tr> <tr> <td data-bbox="560 831 946 864">Audit committee member</td> <td data-bbox="946 831 1166 864">15,000.00</td> <td data-bbox="1166 831 1391 864">17,500.00</td> </tr> <tr> <td data-bbox="560 864 946 943">Remuneration committee chairman</td> <td data-bbox="946 864 1166 943">2,500.00</td> <td data-bbox="1166 864 1391 943">10,000.00</td> </tr> <tr> <td data-bbox="560 943 946 1021">Remuneration committee member</td> <td data-bbox="946 943 1166 1021">2,500.00</td> <td data-bbox="1166 943 1391 1021">8,750.00</td> </tr> <tr> <td data-bbox="560 1021 946 1099">Nominating committee chairman</td> <td data-bbox="946 1021 1166 1099">2,500.00</td> <td data-bbox="1166 1021 1391 1099">10,000.00</td> </tr> <tr> <td data-bbox="560 1099 946 1167">Nominating committee member</td> <td data-bbox="946 1099 1166 1167">2,500.00</td> <td data-bbox="1166 1099 1391 1167">8,750.00</td> </tr> </tbody> </table> <p>Terms of reference of Remuneration Committee are published on the Company's website and the same is periodically reviewed.</p>	Director's fee payable to:	Approved current fees (per annum)	Proposed fees to be approved (per annum)	Chairman	180,000.00	210,000.00	Non-executive director	100,000.00	115,000.00	Audit committee chairman	15,000.00	20,000.00	Audit committee member	15,000.00	17,500.00	Remuneration committee chairman	2,500.00	10,000.00	Remuneration committee member	2,500.00	8,750.00	Nominating committee chairman	2,500.00	10,000.00	Nominating committee member	2,500.00	8,750.00
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Nominating committee chairman	2,500.00	10,000.00																										
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<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>																												
<p><b>Timeframe</b> :</p>																												

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Details of the directors' remuneration for FYE 31 December 2021 for each individual director with a breakdown into fees, salaries and bonus, benefit-in-kind and other emoluments are set out as follows:-

No	Name	Directorate	Company (RM'000)							Group (RM'000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Datuk Edward Lee Ming Foo	Executive Director	-	-	2,141	976	52	589	3,758	93	-	2,629	1,220	52	730	4,724
2	Mr. Lee Wee Yong	Executive Director	-	-	1,121	449	25	188	1,783	-	-	1,390	561	25	234	2,210
3	Ms Cheah Yee Leng	Executive Director	-	-	1,188	454	33	453	2,128	93	-	1,188	454	33	453	2,221
4	Mr. Thomas Karl Rapp	Independent Director	246	-	-	-	-	-	246	-	-	-	-	-	-	-
5	Datuk Simon Shim Kong Yip	Non-Executive Non-Independent Director	150	-	-	-	-	-	150	268	-	-	-	-	-	268
6	Lt Gen (R) Datuk Abdul Aziz Bin Hasan	Independent Director	115	-	-	-	-	-	115	-	-	-	-	-	-	-
7	Mr. Leow Ming Fong @ Leow Min Fong	Independent Director	144	-	-	-	-	-	144	-	-	-	-	-	-	-
8	Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	Independent Director	125	-	-	-	-	-	125	-	-	-	-	-	-	-
9	Mr. Tan Boon Peng	Independent Director	115	-	-	-	-	-	115	-	-	-	-	-	-	-
10	Mr. Wong Yoke Nyen	Independent Director	115	-	-	-	-	-	115	-	-	-	-	-	-	-

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the opinion that such disclosure may engender tension and unhealthy competition among the business heads of the Group's six core businesses, namely plantation, property investment &amp; development, credit financing, automotive, trading and building materials.</p> <p>This is further aggravated by the highly competitive environment of the various market segments the Group is operating in and such disclosure may heighten the rate of attrition and correspondingly salary cost.</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>	:	The Board will monitor closely developments in the market in respect of such disclosure.
<b>Timeframe</b>	:	Others

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

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

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

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit Committee is led by Mr. Leow Ming Fong @ Leow Min Fong who is an independent non-executive director while the Board is helmed by Mr. Thomas Karl Rapp.  Mr. Leow Ming Fong possesses significant audit and financial experiences and holds an accounting qualification, thus, making him well-placed to lead discussions and deliberations. As the chairman of the Audit Committee, he leads the Audit Committee in providing oversight on financial reporting matters, co-ordinating roles discharged by internal and external auditors and ensuring the adequacy and effectiveness of risk management and internal control systems.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	In order to ensure that the independence of the audit process is safeguarded from the potential threats which may arise when a former key audit partner joins HSCB, the Audit Committee has revised terms of reference of Audit Committee to require a former key audit partner to observe a cooling-off period from at least two years to three years before being appointed as a member of the Audit Committee.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee has put in place policies and procedures to assess the suitability, objectivity and independence of the external auditor. Prior to making a recommendation on the continuance of the incumbent external auditor, the Audit Committee performs an annual assessment on the objectivity, qualifications, expertise, resources and effectiveness of the external auditor. The assessment of the Audit Committee is supplemented by feedback gathered from senior finance personnel across HSCB focusing on a range of factors that the Audit Committee considers as relevant to audit quality.</p> <p>The Audit Committee has also taken into consideration the nature and extent of the non-audit services rendered and the appropriateness of the level of fees. Provisions of non-audit services by the external auditor, Messrs Ernst &amp; Young PLT were reviewed to ascertain whether such provision of services would impair the auditor's independence or objectivity. Disclosure on the nature and extent of non-audit services are made in the Notes to the Financial Statements (Annual Report).</p> <p>For the audit of the financial year ended 31 December 2021, Messrs Ernst &amp; Young PLT has also provided the Audit Committee with a written assurance confirming that they were and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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.

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee comprises three members, namely Mr. Leow Ming Fong @ Leow Min Fong (independent non-executive director) as the chairman, Datuk Simon Shim Kong Yip (non-independent non-executive director) and Mr. Thomas Karl Rapp (independent non-executive director).</p> <p>All the members of the Audit Committee are financially literate which allows them to have a sound understanding of the language of accounting and finance in order to perform the duties that have been entrusted to it by the Board. The chairman of the Audit Committee is a member of the Malaysian Institute of Accountants (MIA), thus, fulfilling paragraph 15.09(1)(c) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>In order to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules, the Audit Committee members have attended pertinent programmes during the financial year.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is accountable for the establishment of the Group's (HSCB and its subsidiaries) system of risk management and internal control. The Board determines the level of risk tolerance and puts in place processes to identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets.</p> <p>The risks profile of the relevant business units is tabled to the Group Risk Management Committee (a Management-level committee) highlighting on the key risks, their causes and management action plans, thereon. The Group Risk Management Committee reports its activities and makes recommendations to the Board via the Audit Committee. An annual comprehensive risk management report and a half yearly update on salient changes to the key risk profile are tabled to the Audit Committee to facilitate timely assessment.</p> <p>Any major changes to risks or emerging significant risks of the business units in the Group together with the appropriate actions and/or strategies to be taken, will be brought to the attention of the Board by the chairman of the Audit Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The features of the Group's risk management and internal control framework, as well as the adequacy and effectiveness of the framework are described in the Statement of Risk Management and Internal Control (Annual Report).  Key functions undertaken by those entrusted with risk management and internal control responsibilities as well as the measures being put in place to manage risks are also articulated in the said statement.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

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

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee considers and approves the remit of the internal audit function and ensures that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with professional standards. The Audit Committee particularly ensures that the internal audit function has adequate standing and is free from management or other encumbrances in line with paragraph 15.27 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Audit Committee meets the Head of the Internal Audit without the presence of the Management whenever deemed necessary, to discuss any issues arising from the internal audits carried out without the presence of the Management. The Head of Internal Audit is given the right of direct access to the chairman of the Board and to the Audit Committee.</p> <p>The internal audit strategy and a detailed annual internal audit plan are presented to the audit committee for approval. The internal audit function adopts a risk based approach and prepares its audit strategy and plan based on the risk profiles of the business units of the Group. Further details are outlined in the Statement of Risk Management and Internal Control (Annual Report).</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has an in-house internal audit function which is carried out by the Internal Audit Department and is headed by Dr Charlie Lim Chor Lein, a Chartered Accountant (Malaysian Institute of Accountants). Dr Charlie Lim Chor Lein holds an accounting degree and is also a Certified Practising Accountant (CPA Australia). Dr Charlie Lim Chor Lein has accumulated over 29 years' of experience in areas of governance, risk and controls.</p> <p>There are a total of 11 personnel in the Internal Audit Department. All the personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of the work.</p> <p>All internal audit work carried out is guided by the International Professional Practices Framework promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors.</p> <p>During the financial year ended 31 December 2021, the total internal cost incurred is approximately RM2.22million (2020: RM2.01 million).</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has a stakeholder communication policy which outlines its commitment to ensure that all stakeholders have timely access to all publicly available information of the Company, thus, allowing them to make decisions in an informed manner. The stakeholder communication policy is accessible on the Company's website.</p> <p>As part of the ongoing effort to foster a closer association with its stakeholders, the Company endeavours to ensure that its corporate website contains all material information necessary for the stakeholders' decision-making process. All corporate announcements, press releases, quarterly financial results, corporate presentations on Group financials and operational reviews and the like are placed on the website as soon as practicable after such information is released to Bursa Malaysia Securities Berhad.</p> <p>Stakeholders may at any time direct questions or request publicly available information via the communication channels provided in the website. The Company places great importance on stakeholders' privacy and will not disclose information of stakeholders unless otherwise required by law.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The current Annual Report of HSCB provides stakeholders with a balanced, comparable and meaningful overview on the Company's financial and non-financial information including strategic performance. Components such as Management and Discussion Analysis, Sustainability Statement, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control form an integral part of the non-financial information.</p> <p>In order to provide stakeholders with better understanding of HSCB's business, the Annual Report depicts the correlation between the various components, comprising both financial and non-financial information.</p> <p>Sustainability reporting via the Sustainability Statement which provides a greater source of non-financial information gears the Company towards the adoption of integrated reporting.</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>	:	An assessment will be undertaken to gauge the structural changes necessitated by the proposed shift to integrated reporting. At the preliminary stage, the Company will commission a study in developing the process of integrated reporting preparation together with the Group's advisor to derive synergies in respect of integrated reporting.
<b>Timeframe</b>	:	Others

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the significance of the AGM as a platform for direct and meaningful communication between the Board and the Company's shareholders. As such, the Board strives to ensure that shareholders are accorded with sufficient time to consider the resolutions that will be discussed and decided upon at the AGM.</p> <p>In this respect, the notice to the AGM in 2021 was provided at least 28 days prior to the AGM which was held on 25 May 2021. This goes above and beyond Section 316(2) of Companies Act 2016 and paragraph 7.15 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad which call for a 21-days notice period.</p> <p>The notice for the AGM outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM.</p> <p>The notice of AGM is placed in a nationally circulating newspaper, the Company and Bursa Securities' website. A letter will be sent out to shareholders notifying them the venue, date and time of the AGM as well the relevant website to download the annual report and circular to shareholders.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As stewards of the Company, the Board acknowledges its responsibility to engage with shareholders and/or their proxies and provide meaningful responses to the questions raised by shareholders and/or their proxies. All directors of the Company attended the AGM 2021.</p> <p>AGM 2021 was conducted by way of a fully virtual meeting through live streaming and online remote voting via remote participation and voting facilities ("RPEV") which was made available on the online portal of Boardroom Share Registrars Sdn Bhd ("Boardroom") at <a href="https://web.lumiagm.com">https://web.lumiagm.com</a>. Non-executive directors participated the AGM 2021 via live streaming whilst the chairman and executive directors were present at broadcast venue. No shareholder or proxy was physically present at the meeting venue.</p> <p>The chairman of the respective Board Committee participated physically and/or virtually to facilitate discussion on matters such as audit, nomination and remuneration.</p> <p>The external auditors, Messrs Ernst &amp; Young PLT, were also invited to attend the AGM 2021 to address queries from shareholders relating to the conduct of the audit and the preparation and content of the auditor's report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AGM 2021 was conducted by way of a fully virtual meeting with its broadcast venue at Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur. Pursuant to clause 77 of the Company's constitution, general meetings may be held at more than one venue using any technology that enables the members to participate and to exercise the members' rights to speak and vote at the meeting.</p> <p>Shareholders participated in the AGM 2021 virtually, including submission of questions for response prior to remote voting. In accordance with paragraph 8.29A(1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions had been carried out by poll voting. The appointed independent scrutineer, GovernAce Advisory &amp; Solutions Sdn Bhd, had validated all the votes during the AGM 2021.</p> <p>To enable the shareholders to participate at AGM 2021 and exercise their votes effectively, administration guide on how to register, appoint proxy, participate and vote remotely via RPEV was sent to all the shareholders together with the notice of AGM and published on the Company's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <p>Shareholders are encouraged to participate in AGM via virtual meeting. At the commencement of AGM, the Chairman will advise members, corporate representative and proxies present virtually at the meeting of their right to ask questions and vote on the resolutions set out in the notice of AGM.</p> <p>Shareholders and proxies are also encouraged to submit their written questions at least one week before the AGM, so that they could be adequately dealt with during the AGM. Such written questions could either be (a) emailed to the Company at inquiry@hapseng.com or (b) deposited at the Reception Counter @ Ground Floor of Menara Hap Seng (Attention: Company Secretary) or (c) submitted at virtual meeting portal during the proceeding of AGM.</p> <p>At the commencement of AGM 2021, the Chairman duly advised the shareholders that they were encouraged to submit their questions or queries in the query box of PREV throughout the AGM proceeding.</p> <p>The Chairman shared at the AGM 2021 questions submitted by Minority Shareholders Watch Group. The questions and the corresponding replies were also read out by the Chairman during the AGM.</p> <p>All the directors of the Company including the chairman of the Audit Committee, Nominating Committee and Remuneration Committee, external auditors and Management members will attend the general meeting to respond to the shareholders' queries. Minutes of the AGM as well as questions and answers posted by the shareholders are made available on the Company's website.</p>
<b>Explanation for departure</b>	:  

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

<b>Measure</b> :		
<b>Timeframe</b> :		

### 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>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: Boardroom was appointed as poll administrator to provide services of remote participation and electronic voting facilities (“RPEV”). It was live streamed for access via <a href="https://web.lumiagm.com">https://web.lumiagm.com</a> .  Shareholders were provided the administration guide on how to register, appoint proxy, participate and vote remotely via RPEV together with the notice of AGM 2021.  The Company has closely monitored the RPEV during AGM 2021 to ensure a seamless execution of AGM 2021 and also a smooth interaction between the Company and shareholders or proxies.  The Chairman shared at the AGM 2021 on questions submitted by Minority Shareholders Watch Group and shareholders. The questions and the corresponding replies were also read out during the AGM 2021.  The poll results were verified by the scrutineer, GovernAce Advisory & Solutions Sdn Bhd and the Chairman declared the resolutions were duly passed.
<b>Explanation for departure</b>	:  
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	:  
<b>Timeframe</b>	:  



**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>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: Minutes of the AGM 2021 as well as questions and answers posted by the shareholders and proxies were made available on the Company's website at <a href="http://www.hapseng.com">www.hapseng.com</a> within 30 business days after the AGM.
<b>Explanation for departure</b>	:  
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	:  
<b>Timeframe</b>	:  

**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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