

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Kossan Rubber Industries Bhd (“KOSSAN” or “the Company”) is committed and will continue to endeavour to comply with the principles and practices set out in the Malaysian Code on Corporate Governance 2021 (“MCCG”). The Board will regularly review and maintain all identifiable means to ensure the Company’s corporate governance standards meet the high standards including accountability and transparency of the MCCG. This practice will assure continuous and sustainable growth of the Group for the interest of shareholders and other stakeholders.

The Board is pleased to present this statement, prepared in compliance with Bursa Malaysia Securities Main Market Listing Requirement (“MMLR”) which outlines how the Company and its subsidiaries (“Group”) had applied the principles and best practices of the MCCG. The detailed application for each practice as set out in the MCCG is disclosed in the Corporate Governance Report (“CG Report”) which is available on KOSSAN’s website: <https://kossan.com.my/investors/reports.html> and to be read together with this Statement.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. Board Leadership

1.1. Role of the Board

All Directors should objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. Every Director must act with integrity, lead by example, keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group. The Board Charter clearly sets out the key responsibilities of the Board and it can be found on KOSSAN’s website: www.kossan.com.my/about-us/corp-governance.html.

1.2. Chairman

The Chairman of the Board, En. Mohamed Shafeii Bin Abdul Gaffoor, an independent non-executive director (“INED”), is primarily responsible for matters pertaining to the Board and the overall conduct of the Company. The Chairman is committed to good corporate governance practice and has been leading the Board towards continuous improvement. The Chairman also encourages healthy debates and promotes active participation by Board members.

1.3. Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer are held by two (2) different individuals with distinct and separate roles and clear division of responsibilities. This will ensure balance of power and authority and that no one individual has unfettered powers on decision making.

1.4. Qualified and Competent Company Secretary

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.

The Company Secretary through the Chairman plays an important role in good governance by helping the Board and its Committees to function effectively and in accordance with their terms of reference and best practices.

The Company Secretary possesses the qualification, knowledge and experience to carry out his functions. These include knowledge in company and securities law, finance, governance, company secretaryship and other areas of compliance such as the listing requirements. The Company Secretary undertakes continuous professional development.

Corporate Governance Overview Statement (Cont'd)

1.5. Supply of Information

All Directors have unrestricted and timely access to all information concerning the Company and the Group's business for the discharge of their responsibilities. Board papers and reports are distributed to the Directors with sufficient time prior to meetings to enable them to seek clarification and/or explanation, where necessary, to expedite the decision-making process.

All Directors have access to the advice and services of the Company Secretary and senior management in the Group.

2. Demarcation of Responsibilities

2.1. Board Charter

The Board Charter clearly establish the functions, governance structure, authority and terms of reference of the Board, Board Committees and Management, as well as a schedule of matters reserved for the Board. It provides a reference to the Board and Management on the functions of the Board.

The Board Charter was reviewed in 2021 to ensure consistency with the Board's objectives and prevailing legislations and practices.

3. Business Conduct and Corporate Culture

3.1. Kossan Code of Ethics and Conduct ("KCEC")

The KCEC is applicable to all Directors and employees. This KCEC provides guidance for professional and ethical conduct in the discharge of duties and responsibilities.

The key areas in KCEC include compliance with national laws and regulations, conflicts of interest, employment policy and guidelines (discrimination and harassment, compliance with employment laws and regulations, non-compete policy, workplace violence, illegal drugs and alcohol policy, intellectual property, occupational health, safety and environment, dress code and public communications), confidentiality and data protection, and responsibility of employees.

3.2. Anti-Bribery and Corruption Policy

The Group adopts a zero-tolerance approach towards any form of bribery and corruption and has also implemented an Anti-Bribery and Corruption ("ABC") Policy which governs the prevention of corruption and unethical practices within the Company.

3.3. Whistleblowing Policy

The Board established a Whistleblowing Policy with procedures, that provides an avenue for its employees and the general public to raise any concern about malpractice or improper conduct.

All reports will be channeled to the Whistleblowing Committee comprising exclusively of INEDs as follows:

Lee Choo Hock	- Chairman / Senior Independent Non-Executive Director
Mohamed Shafeii Bin Abdul Gaffoor	- Member / Independent Non-Executive Director
Hoh Kim Hyan	- Member / Independent Non-Executive Director

Our Whistleblowing Policy provides assurance that the identity of whistleblowers will be kept confidential and that whistleblowers will not risk retaliation, harassment or victimisation.

Corporate Governance Overview Statement (Cont'd)

4. Sustainability Risks and Opportunities

4.1. Sustainability Governance Structure

The Board is responsible to embed sustainability in the Group's strategy and operations. The Board is assisted by the Group Managing Director/Chief Executive Officer ("Group MD/CEO") who oversees the formulation, implementation and effective management of the Company's sustainability strategies and targets. The Sustainability Governance Structure can be found in the Sustainability Statement on page 18 of this Annual Report.

The Group MD/CEO provides leadership, direction and targets for the sustainability priorities of the Group. The Senior Manager of Corporate Sustainability drives the implementation of the priorities and tracks relevant measurements and targets.

4.2. Key Sustainability Matters

All Board members and senior management attended sustainability trainings during the financial year under review. In order to ensure the Board is kept abreast with and understand sustainability issues related to the Group's business and operations, Management had presented to the Board key sustainability matters, including climate-related risks and opportunities.

4.3. Stakeholder Engagement

The Group's key sustainability matters are communicated through KOSSAN's website, and targeted engagements with customers, vendors, relevant authorities and community leaders. Multiple engagements are also done with internal stakeholders who are responsible for driving and executing the sustainability initiatives.

The Group's key sustainability matters and performance for the financial year under review are reported in the Sustainability Statement on pages 18 to 35 of this Annual Report.

II. BOARD COMPOSITION

5. Board's Objectivity

5.1. Composition of the Board

The Board currently has nine (9) members, comprising six (6) Executive Directors and three (3) INED.

The Directors, with their diverse backgrounds, specialisations, qualifications and experiences, bring with them a wide range of knowledge and expertise for the effective management of the Group's business and operations. Their qualifications and experiences are set out in the Directors' Profile on pages 12 to 16 of this Annual Report.

5.2. Independent Directors and Tenure of Independent Non-Executive Directors

The Board recognises the importance and contributions of its INED. They provide objectivity, impartiality and independent judgement to the Board and ensure adequate check and balance in Board decisions. Their presence provides unbiased and independent views, advice and opinion to safeguard the interest of minority shareholders.

None of the INEDs' tenure exceeded a cumulative term of nine (9) years.

Corporate Governance Overview Statement (Cont'd)

5.3. Board and Senior Management

The appointment of the Board and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. For further information, please refer to the Directors and Key Senior Management Profiles on pages 12 to 17 of the Annual Report.

5.4. Gender Diversity

Currently the Board has a single woman representation. The Board acknowledges the importance of having more women representation on the Board and through the Nominating Committee will strive to meet the objective stated in the MCCG.

5.5. Appointment of New Directors

The appointment of candidates as Directors of the Company will be sourced from unrelated third parties. The shortlisted candidates, unknown to existing Board members, will be interviewed by the Nominating Committee prior to presentation to the Board for approval.

5.6. Nominating Committee

5.6.1. Composition

The Nominating Committee ("NC") comprises exclusively of INED as follows:

Mohamed Shafeii Bin Abdul Gaffoor	- Chairman / Independent Non-Executive
Lee Choo Hock	- Member / Senior Independent Non-Executive
Hoh Kim Hyan	- Member / Independent Non-Executive

5.6.2. Meetings

The NC meets as and when required but at least once a year. The NC met twice in the financial year ended 31 December 2021.

5.6.3. Roles and responsibilities

The NC's responsibilities include, amongst others, reviewing the Board composition and making recommendations to the Board for appointment of new directors (including gender consideration) by evaluating and assessing the suitability of candidate for Board/Committee membership. Factors to be taken into consideration will include age, the required mix of skills, knowledge, independence, expertise, experience, professionalism, capabilities, integrity and time commitments. The selection of candidates was not solely based on recommendations made by existing Board members, Management and Major Shareholders.

The terms of reference of the NC are set out on KOSSAN's website: www.kossan.com.my/about-us/corp-governance.html.

5.6.4. Activities of the NC

(a) Board Effectiveness Evaluation ("BEE") for Financial Year 2021

For the year under review, the NC, being the evaluation committee, undertook an annual evaluation of the Board, board committees and individual Directors including the independence of each Independent Director.

The BEE was facilitated by the Company Secretary. The assessments and evaluations carried out are properly documented.

Corporate Governance Overview Statement (Cont'd)

(b) Composition of Board and Board Committees, and Succession Planning

The NC reviewed the size and composition of the Board and Board Committees, vis-à-vis the chairmanship as well as discussed succession planning for the Board, Board Committees and Directors.

(c) Re-election of Directors

The NC recommended the re-election of retiring Directors, having considered the outcome of the BEE 2021, the contribution to board deliberations, level of competence and ability to act in the best interest of the Company in decision making.

The Board, save for the Directors who had abstained from deliberations on their own re-election, supported the NC's views and recommends the reappointment of the retiring Directors at the forthcoming AGM. The statement of support is included in the notes accompanying the Notice of AGM.

(d) Directors' Trainings

During the financial year 2021, all Directors attended the necessary trainings to keep abreast of the relevant changes in the law, regulations, business environment and sustainability. The trainings attended by the Directors are set out on pages 8 to 12 of the CG Report.

(e) Corporate Governance

The NC reviews its terms of reference annually, taking into account changes in the MMLR and MCCG.

6. Overall Board Effectiveness

6.1. Annual Evaluation

For the financial year ended 31 December 2021, the Board was satisfied that the Board and the Board Committees had discharged their duties and responsibilities effectively and in accordance with their terms of references. The Board was also satisfied that the Board composition, in terms of size, mix of executive, non-executive and independent directors, and mix of skills and experience, were adequate.

The Board meets at least five (5) times a year at quarterly intervals with additional meetings convened as necessary. Five (5) Board meetings were held during the financial year ended 31 December 2021 and the attendance of the Directors at the Board Meetings were as follows:

Director	No. of meeting attended
Mohamed Shafeii Bin Abdul Gaffoor	5/5
Tan Sri Dato' Lim Kuang Sia	5/5
Lee Choo Hock	5/5
Hoh Kim Hyan	5/5
Lim Leng Bung	5/5
Tan Kong Chang	5/5
Lim Siau Tian	5/5
Lim Siau Hing	5/5
Lim Ooi Chow	5/5

Corporate Governance Overview Statement (Cont'd)

The meetings were held at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3¾, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan and/or online.

In the intervals between Board meetings, routine Board decisions were carried out through circular resolutions, supported with all relevant information and explanations for an informed decision.

To facilitate Directors' attendance at meetings, an annual meeting calendar is given to Directors before the beginning of each new financial year. The Board is satisfied with the commitments given by the Directors.

Each Director is required to notify the Chairman of the Board prior to his acceptance of directorship outside the Group. The notification should include an approximate indication of time to be spent on the new directorship.

III. REMUNERATION

7. Level and Composition of Remuneration

7.1. Remuneration Policy

The objective of the Group's remuneration policy is to attract and retain the Directors and senior management required to lead and manage the Group effectively. For Executive Directors and senior management, their remuneration packages are linked to corporate and individual performance, scope of duties and responsibilities, qualifications, skills and experience. For Non-executive Directors, the level of remuneration reflects their level of responsibilities, skills and time commitment.

Directors do not participate in deliberations and voting on decisions in respect of their own remuneration package at the Remuneration Committee ("RC") and Board meetings.

The Remuneration Policy can be found on KOSSAN's website: www.kossan.com.my/about-us/corp-governance.html.

7.2. Remuneration Committee

The RC of the Company comprises a majority of INED. The RC has written terms of reference that covers its scope of authority and its duties. This can be viewed on KOSSAN's website: www.kossan.com.my/about-us/corp-governance.html.

The composition of the RC as at 31 December 2021 was as follows:

Mohamed Shafeii Bin Abdul Gaffoor	- Chairman / Independent Non-Executive
Hoh Kim Hyan	- Independent Non-Executive
Tan Sri Dato' Lim Kuang Sia	- Group Managing Director / Chief Executive Officer

The RC meets as and when required, at a minimum of once a year.

The RC met once in the financial year ended 31 December 2021.

8. Remuneration of Directors

Details of the remuneration of Directors of the Company for the financial year on a named basis, including the components of remuneration, can be found on page 34 of the CG Report.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE ("AC")

9. Effective and Independent AC

9.1. Composition of the AC

The AC comprises three (3) INED. The composition is reviewed annually by the Nominating Committee and submitted to the Board for action. The review looks into the level of expertise, experience and understanding of the Company's business.

9.2. Chairman of the AC and Chairman of the Board

The Chairman of the AC is not the Chairman of the Board. Mr. Lee Choo Hock, the Senior INED is the Chairman of the AC while En. Mohamed Shafeii Bin Abdul Gaffoor, also an INED, is the Chairman of the Board.

9.3. Financial Literacy of AC Members

Two of the AC members are chartered accountants and all members of the AC are well educated and financially literate. They are encouraged to attend courses to improve their understanding of matters under the purview of the AC, including developments in accounting and auditing standards and practices.

9.4. Appointment of a Former Key Audit Partner as AC Member

The Company's policy on recruiting any former key audit partner as a member of AC requires the said key audit partner to exercise a cooling period of at last three (3) years before his appointment to the AC.

9.5. Independence of External Auditor

The AC undertakes the annual assessment of the competency and independence of the external auditors and recommends their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

The external auditors are required to declare their independence annually to the AC as specified by the By-Laws issued by the Malaysian Institute of Accountants. The external auditors have provided the declaration in their annual audit plan presented to the AC.

The AC also reviewed the provision of non-audit services rendered to the Group by the external auditors and its affiliates and noted that the total amount of fees paid for non-audit services rendered by the Group external auditors for the financial year ended 31 December 2021 was RM643,150.

Further information on the AC can be found in the AC Report on pages 55 to 57 of this Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

10. Risk Management and Internal Control

10.1. Establishing an Effective Risk Management and Internal Control Framework

The Board is responsible for the Group's risk management framework and system of internal control and the review of their adequacy and integrity. The Board had established the Risk Management Framework to ensure that an effective system of internal control that provides reasonable assessment of effective and efficient operations, financial controls and compliance with laws and regulations as well as with internal procedures and guidelines are in place within the Group.

The Board is aware that the internal control system is designed to manage rather than eliminate risk and therefore cannot provide an absolute assurance against material misstatement or loss.

Corporate Governance Overview Statement (Cont'd)

10.2. Features of Risk Management and Internal Control Framework

The Board oversees the risk management function through the Risk Management Committee ("RMC"). The RMC reviews and recommends for the Board's consideration and approval the risk management principles, framework and policies for managing risks within the Group. The RMC also monitors and assesses the risk appetite and tolerance of the Group to safeguard the Group's assets and shareholders' investment.

The Group has in place a structured process for identification, assessment, monitoring and communication of risks and effectiveness of risk mitigation strategies at all level of operations.

10.3. Risk Management Committee

The RMC comprises of a majority of independent directors, to oversee the Group's risk management framework and policies. The composition of RMC is as below:

Lee Choo Hock - Chairman, Senior Independent Non-Executive Director
Hoh Kim Hyan - Member, Independent Non-Executive Director
Lim Ooi Chow - Member, Executive Director

Details of the Group's risk management and internal control are contained in the Statement on Risk Management and Internal Control on pages 50 to 54 of this Annual Report.

11. Effective Governance, Risk Management and Internal Control Framework

11.1. Internal Audit Function

The Board has established an in-house internal audit ("IA") function which reports directly to the AC. The IA function undertakes an independent assessment of the internal control system of the Group and provides assurance to the AC that no material issue or major deficiency has been noted which could pose a high risk to the overall system of internal control.

The IA assignments were carried out in accordance with the 2021 audit plan approved by the AC.

The AC, in its oversight of the IA function, was satisfied that the said function was effective and able to function independently.

11.2. Internal Audit Objectivity and Independence

The Board ascertained that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence and are satisfied that the internal audit department is adequately staffed with qualified and experienced persons.

The IA function is carried out in accordance with the IA Charter and IA Framework with reference to The Institute of Internal Auditors' International Professional Practices Framework.

Further details of the Group's IA function are contained in the AC Report on page 57 of this Annual Report.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

12. Communication between Company and Stakeholders

The Board adheres to and complies with the disclosure requirements of the MMLR as well as the Corporate Disclosure Guide issued by Bursa Malaysia Securities Berhad.

The Company recognises the importance of transparency and accountability to its shareholders and investors. The Board endeavours to keep its shareholders and investors informed of its performance through the annual report and financial statements, circulars to shareholders, quarterly financial reports and the various announcements made during the year. These will enable the shareholders, investors and members of the public to have an overview of the Group's performance and operations.

The Group maintains a corporate website at www.kossan.com.my. Shareholders and members of the public may access the latest information of the Group at the website. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Malaysia Securities Berhad at www.bursamalaysia.com.

II. CONDUCT OF GENERAL MEETINGS

13. Shareholders Participation at General Meetings

The Company's Annual General Meeting ("AGM") is the principal forum for dialogue with private and institutional shareholders and to obtain constructive feedback. At each AGM, attended by all members of the Board, the Board presents the progress and performance of the Company's businesses and shareholders are encouraged to participate in the proceedings, the question-and-answer session and thereafter to vote on all resolutions tabled.

The Chairman, CEO and Directors will respond to shareholders' questions at the AGM. The Notice and agenda of AGM together with the Proxy Form are given to shareholders at least 28 days before the AGM, which gives them sufficient time to prepare themselves to attend the AGM or to appoint a proxy to attend and vote on their behalf. Each item of special business included in the Notice of AGM is accompanied by an explanatory statement for the proposed resolution to facilitate the full understanding and evaluation of issues involved.

Extraordinary general meeting is held as and when required to seek shareholders' approval. The Chairman and CEO take the opportunity to fully explain the rationale for proposal put forth for shareholders' approval and the implications of such proposal for the Company.

In 2021, the Company had leveraged on technology by conducting the Company's 41st AGM on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. Shareholders registered for remote participation via Boardroom Smart Investor Portal to join the live streaming of the proceedings of the AGM and posed questions to the Chair, and casted their votes online via the RPV facilities.

The administrative details for the AGM with detailed registration and voting procedures were distributed to shareholders and published on KOSSAN's website. The Company had appointed Boardroom Share Registrars Sdn Bhd as poll administrators to conduct the polling process on all resolutions tabled at the AGM, and Sky Corporate Services Sdn. Bhd. as the scrutineers to verify the poll results.

Corporate Governance Overview Statement (Cont'd)

The Company strives to maintain an open and transparent channel of communication with its shareholders, institutional investors, analysts and the public at large with the objective of providing a clear and complete picture of the Group's performance and financial position. The provision of timely information is principally important to the shareholders and investors for informed decision making. However, whilst the Company endeavours to provide as much information as possible to its shareholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Communications are effected through the quarterly announcements of financial results to Bursa Malaysia Securities Berhad, relevant announcements of transactions and circulars, and when necessary, at the AGM and KOSSAN's website.

COMPLIANCE STATEMENT

The Board continues to strive for high standards of corporate governance throughout the Group. The Board is of the view that the Company has, in all material aspects, satisfactorily complied with the principles and practices set out in the MCCG except for the departures as set out in the CG Report.

This Statement was approved by the Board on 7 April 2022.