

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

We are pleased to present the governance section of our Integrated Annual Report ("IAR") for the financial year ended 31 December 2022 ("FY2022"), which includes details about us, the Board of Directors ("Board") of Kossan Rubber Industries Bhd. ("KOSSAN" or "the Company"), and our roles and responsibilities. We also summarise how the Company and its subsidiaries ("Group") had applied the principles and practices of the Malaysian Code on Corporate Governance 2021 ("MCCG"), encompassing the activities of the Board and Board Committees during the financial year under review. The Board remains committed and continues to endeavour to comply with the principles and practices set out in the MCCG with the aim in ensuring long-term sustainable growth of the Group, generating value for shareholders, whilst considering the needs of its stakeholders. This Corporate Governance Overview Statement ("Statement") is to be read along with the Corporate Governance Report ("CG Report") 2022, which is available on our website.











## ALIGNMENT TO THE MCCG

During the financial year under review, we aligned our practices with the MCCG save that which have been explained in the CG Report 2022. Further details of how KOSSAN applied the three (3) principles of the MCCG can be found in the CG Report 2022 which is published on our website:

 [Reports & Announcements](#)

## A

## Board Leadership and Effectiveness

BOARD OF DIRECTORS	ATTENDANCE
1. <b>MOHAMED SHAFEII BIN ABDUL GAFFOOR</b> <i>Chairman, Independent Non-Executive Director</i>	
2. <b>TAN SRI DATO' LIM KUANG SIA</b> <i>Group Managing Director / Chief Executive Officer, Non-Independent Executive Director</i>	
3. <b>LEE CHOO HOCK</b> <i>Senior Independent Non-Executive Director</i>	
4. <b>HOH KIM HUAN</b> <i>Independent Non-Executive Director</i>	
5. <b>TAN KONG CHANG</b> <i>Non-Independent Executive Director</i>	
6. <b>LIM SIAU TIAN</b> <i>Non-Independent Executive Director</i>	
7. <b>LIM SIAU HING</b> <i>Non-Independent Executive Director</i>	
8. <b>LIM OOI CHOW</b> <i>Non-Independent Executive Director</i>	
9. <b>SHARON SHANTHY A/P DORAIRAJ</b> <i>Independent Non-Executive Director</i> <i>(appointed on 1 November 2022)</i>	
10. <b>LIM LENG BUNG</b> <i>Non-Independent Executive Director</i> <i>(retired on 19 May 2022)</i>	




## KEY HIGHLIGHTS IN FY2022





During the financial year under review, the Board had, amongst others:






- Appointed a woman independent non-executive director, Ms. Sharon Shanthly a/p Dorairaj, effective 1 November 2022. With that, the percentage of independent and women directors have increased to 44% and 22% respectively;
- Reconstituted the composition of all Board Committees to be aligned with the MCCG, in particular where the Board Chairman is not a member of any of the Board Committees and the Remuneration Committee consists of non-executive directors only;
- Adopted the Sustainability Policy on 2 November 2022; and
- Adopted the Directors' Fit and Proper Policy on 27 April 2022.




## Corporate Governance Overview Statement (Cont'd)

## A Board Leadership and Effectiveness

AUDIT COMMITTEE	ATTENDANCE
1. LEE CHOO HOCK (Chairman)	 5/5
2. HOH KIM HYAN (Member)	 5/5
3. SHARON SHANTHY A/P DORAIRAJ (Member) (appointed on 15 December 2022)	N/A
4. MOHAMED SHAFEII BIN ABDUL GAFFOOR (vacated on 15 December 2022)	 5/5

NOMINATING COMMITTEE	ATTENDANCE
1. SHARON SHANTHY A/P DORAIRAJ (Chairperson) (appointed on 15 December 2022)	 1/1
2. LEE CHOO HOCK (Member)	 4/4
3. HOH KIM HYAN (Member)	 4/4
4. MOHAMED SHAFEII BIN ABDUL GAFFOOR (vacated on 15 December 2022)	 4/4




REMUNERATION COMMITTEE	ATTENDANCE
1. HOH KIM HYAN (Chairperson) (redesignated on 15 December 2022)	 1/1
2. LEE CHOO HOCK (Member) (appointed on 15 December 2022)	 1/1
3. SHARON SHANTHY A/P DORAIRAJ (Member) (appointed on 15 December 2022)	 1/1
4. TAN SRI DATO' LIM KUANG SIA (vacated on 15 December 2022)	 1/1
5. MOHAMED SHAFEII BIN ABDUL GAFFOOR (vacated on 15 December 2022)	 1/1

RISK MANAGEMENT COMMITTEE	ATTENDANCE
1. LEE CHOO HOCK (Chairman)	 4/4
2. HOH KIM HYAN (Member)	 4/4
3. LIM OOI CHOW (Member)	 4/4

## THE BOARD

Corporate governance plays a vital role in ensuring an effective board that can make informed decisions that benefit and deliver sustainable value to the Company and stakeholders. We, the Board of Directors, are responsible for the oversight and overall effective management of the Company. To enable us to effectively discharge our responsibilities whilst meeting the goals and objectives of the Company, we had established a Board Charter, in 2014 (last reviewed in February 2022), that clearly sets out the governance structure, authority and responsibilities of the Board, Board Committees, individual directors and Management, including a formal schedule of issues and decisions reserved for the Board. The Board also delegates specific responsibilities, as set out in each respective terms of reference ("TOR"), to the Board Committees, namely, the Audit, Nominating and Remuneration Committees.

The Board Charter and TORs of each Board Committee are published on our website.

-  [Kossan Board Charter](#)
-  [Kossan Audit Committee Terms of Reference](#)
-  [Kossan Nominating Committee Terms of Reference](#)
-  [Kossan Remuneration Committee Terms of Reference](#)

Members of the Board and Board Committees have discharged their roles and responsibilities in FY2022 through their attendance at various Board of Directors and Committees meetings which were disclosed in this Statement.

In relation to board meetings, agendas for upcoming meetings are set by the Chairman and supported by the Company Secretary. The notices and agendas are distributed to the members prior to meetings together with the relevant Board papers. This is to ensure that all members are able to receive complete and accurate information in a timely manner. Information shared to the members are required to be clear, concise and of sufficient depth to facilitate constructive deliberations and assist the members in decision-making process. Executive directors and/or senior management will join meetings discussions by invitation when required, enabling the members to understand the matters in depth and question Management directly.

To facilitate Directors' attendance at meetings, an annual meeting calendar is given to all Directors before the beginning of each new financial year. Each Director is also required to notify the Chairman of the Board prior to his/her acceptance of directorship outside the Group. The notification should include an approximate indication of time to be spent on the new directorship.

## Corporate Governance Overview Statement (Cont'd)

## A

### Board Leadership and Effectiveness

#### ROLES AND RESPONSIBILITIES

The Board currently has nine (9) members, comprising one (1) independent non-executive chairman, three (3) independent non-executive directors ("INEDs") and five (5) executive directors ("EDs").

There is a clear division between executive and non-executive responsibilities which ensures accountability and oversight.

The roles of the Chairman and Group Managing Director/Chief Executive Officer ("Group MD/CEO") are separately held and well defined in the Board Charter. This is to ensure balance of power and authority with no one individual has unfettered powers on decision making.

#### CHAIRMAN

Our Independent Non-Executive Chairman chairs the Board meetings, sets the agenda items, promotes active engagement among Directors and ensures the smooth functioning of the Board.

He provides leadership for the adoption of good corporate governance practices and leads the Board towards continuous improvements. During the financial year under review, he voluntarily vacated his positions in the Audit, Nominating and Remuneration Committees on 15 December 2022 to be aligned with Practice 1.4 of the MCCG.

#### GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

The Group MD/CEO focuses on the Group's businesses and manages the day-to-day operations of the Company as well as implements the Board's decisions.

#### SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lee Choo Hock is the appointed Senior INED. He serves as the principal conduit between the Chairman and the Board and, importantly, represents the views of independent directors and leads communication to ameliorate misunderstanding and boardroom tension. Further, being the Whistleblowing Committee Chairman, he oversees the whistleblowing function and ensures its effectiveness.

Mr. Lee has served the Company for a cumulative term of more than nine (9) years. The Board, with Mr. Lee abstaining

from deliberation was satisfied that Mr. Lee has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is able to continue to bring independent and objective judgment to the Board.

The Board, except for Mr. Lee, unanimously recommended that Mr. Lee continues to serve as an INED of the Company, subject to the approval of the shareholders through a two-tier voting process as per Practice 5.3 of the MCCG.

#### NON-EXECUTIVE DIRECTORS ("NEDs")

Our NEDs play an important role in providing objective, impartial and independent advice and judgment to the Board. Their presence ensures adequate check and balance in Board decisions and safeguard the interest of minority shareholders.

#### COMPANY SECRETARIES

The Board is supported by two suitably qualified and competent Company Secretaries. The Company Secretaries assisted the Chairman of the Board and Board Committees in the distribution of notices, agendas and meeting materials, ensuring compliance with Board procedures as well as providing advice on regulatory compliance and corporate governance. The Company Secretaries regularly undertake continuous professional development to keep abreast of the latest developments. The Board is satisfied with the performance and support rendered by the Company Secretaries.

#### SUSTAINABILITY GOVERNANCE

The responsibility to embed sustainability in KOSSAN's business strategy and operations rests with the Board. The Board is assisted by the Group MD/CEO who oversees the formulation, implementation and effective management of the Company's sustainability strategies and targets. During the financial year under review, the Board had adopted the Sustainability Policy which comprises four (4) guiding principles, i.e., Long term value creation, Invest to green DNA, Vibrant human capital and Excellence innovation (L.I.V.E.) with twelve (12) Sustainability Principles, on 2 November 2022.

Further details on the sustainability governance structure, Sustainability Policy, key sustainability matters and stakeholders engagements can be found in the Sustainability Statement on pages 34 to 77 of this IAR.

## Corporate Governance Overview Statement (Cont'd)

### A

### Board Leadership and Effectiveness

#### THE KOSSAN CODE OF ETHICS AND CONDUCT ("KCEC")

KCEC is a set of guidelines that applies to all directors and employees of KOSSAN. It serves as a tool for guiding and promoting ethical and professional conduct in the execution of duties and responsibilities. It encompasses several key areas, including adherence to national laws and regulations, identification and management of conflicts of interest, compliance with employment policies and guidelines, which include non-discrimination, harassment prevention, and a non-compete policy. Additionally, it covers policies relating to workplace violence, drug and alcohol use, non-infringement of third-party intellectual property, prioritising occupational health, safety, and environment, maintaining appropriate dress codes, as well as prohibition in unauthorised public communications.

#### ANTI-BRIBERY AND CORRUPTION ("ABC") POLICY

The Group has implemented an ABC Policy to guide and govern the prevention of corrupt practices and other unethical conduct within the organisation. The ABC Policy emphasises the Group's zero-tolerance approach towards any form of bribery and corruption.

#### WHISTLEBLOWING POLICY

The Board has implemented a Whistleblowing Policy that enables both employees and members of the general public to report any instances of malpractice or improper conduct. The Policy is supported by a set of procedures that provide clear guidelines on how to raise concerns and report any suspected wrongdoing.

All reports are received by the Whistleblowing Committee comprising exclusively of the following INEDs:

- |                                     |  |
|-------------------------------------|--|
| • 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          |

The Whistleblowing Policy underscores the Board's commitment to promoting transparency, accountability, and ethical conduct throughout the organisation. It assures whistleblowers that their identity will be kept confidential and that they will not face any form of retaliation, harassment or victimisation. The Board believes that the Whistleblowing Policy serves as an essential tool for enhancing corporate governance, risk management and ethical behaviour across the organisation.

### BOARD APPOINTMENT, SKILLS AND TRAINING

#### Appointments of Directors

The appointments of Directors are based on objective criteria, merit, and with due regard for diversity in skills, experience, age, cultural background and gender. In the review of the appointments of Directors, the Board and the NC are further guided by the Directors' Fit and Proper Policy ("DFPP"), which was adopted by the Board on 27 April 2022. The DFPP serves as a guide to ensure the person appointed or elected/re-elected as a Director of the Company possesses the necessary character, integrity, experience, competence as well as time commitment to discharge his/her role effectively.

In FY2022, the Board had appointed a woman INED, Ms. Sharon Shanthi a/p Dorairaj effective 1 November 2022. With that, the percentage of independent and women directors have increased to 44% and 22% respectively.

#### Directors' Trainings

As the business landscape continues to evolve, our Board recognises the importance for Directors to keep themselves up-to-date on the latest developments in order to discharge their duties and responsibilities effectively. To achieve this, all Directors had, during the financial year under review, attended trainings to continuously update their knowledge and skills which includes not only legislative developments but also market trends, economic environment, technological advancements, and ESG (environmental, social and governance) considerations. Additionally, our Company Secretary provides regular updates to the Board and its committees on regulatory and corporate governance matters.

The trainings attended by the Directors in FY2022 are set out on pages 8 to 11 of the CG Report 2022. Our newly appointed INED, Ms. Sharon Shanthi a/p Dorairaj, had completed her Mandatory Accredited Programme ("MAP") with the Institute of Corporate Directors Malaysia ("ICDM"), a corporate body approved by Bursa Malaysia, in December 2022.

## Corporate Governance Overview Statement (Cont'd)

### A Board Leadership and Effectiveness

#### NOMINATING COMMITTEE ("NC") STATEMENT

The NC plays an essential role in ensuring the effectiveness of our Board. This includes reviewing the composition of the Board and making recommendations for the appointment of new directors, with a particular focus on promoting diversity including gender consideration. The NC evaluates and assesses the suitability of candidates for the Board and its committees' based on a range of factors, including age, skills, knowledge, independence, expertise, experience, integrity, and time commitment.

The NC periodically assess the composition of the Board and the tenure of each director on the Board, including the appointment and/or reappointment of a board member.

#### Appointment of Directors

The NC has a selection criterion to further strengthen the composition of the Board which are based on competencies and attributes required. The NC is also guided by the DFPP and gives due consideration to gender diversity. Candidates were sourced from unrelated third parties and the NC interviewed the shortlisted candidates prior to recommending to the Board for approval. During the financial year under review, the NC recommended the appointment of Ms. Sharon Shanthy a/p Dorairaj, an INED, to the Board for its approval. Upon the approval of the Board, Ms. Sharon Shanthy a/p Dorairaj joined the Company effective 1 November 2022.

#### Board Effectiveness Evaluation ("BEE")

##### Evaluation

For the financial year under review, the NC, being the evaluation committee, undertook the 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 were properly documented.

##### Outcome

The outcome of the BEE 2022 indicated that the performance of the Board and the Board Committees during the evaluation period had been satisfactory and they had discharged their duties and responsibilities effectively and in accordance with their terms of references. The outcome of the evaluation formed one of the basis of the NC's recommendations to the Board for the re-election of Directors at the forthcoming AGM.

#### Re-election of Directors

Annually, the NC reviewed the performance of the retiring Directors who are subjected to re-election at the forthcoming Annual General Meeting ("AGM") pursuant to the Company's Constitution. Having considered the outcome of the BEE 2022, their contribution to board deliberations, the independence demonstrated by the retiring independent directors, their ability to act in the best interest of the Company in decision making and DFPP, the NC was satisfied that each retiring Director met the performance criteria required for an effective Board and recommended the re-election of the retiring Directors to the Board.

Each of the retiring Directors abstained at the NC and Board deliberations and decisions regarding his/her own eligibility to stand for re-election.

The Board, save for the retiring 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.

#### REMUNERATION

The Group's Remuneration Policy aims to attract and retain competent Directors and senior management who are capable of effectively leading and managing the Group. The remuneration packages for the EDs and senior management are tied to their individual and corporate performance, responsibilities, qualifications, skills and experiences. In the case of the NEDs, their remuneration levels commensurate to their responsibilities, skills, and time commitments.

To ensure impartiality and transparency, Directors do not partake in discussions or voting on decisions relating to their own remuneration package during the Remuneration Committee and Board meetings.

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 35 of the CG Report 2022.

## Corporate Governance Overview Statement (Cont'd)

**B Effective Audit and Risk Management****EFFECTIVE AND INDEPENDENT AUDIT COMMITTEE ("AC")**

The AC comprises three (3) INEDs. 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. To be aligned with Practice 1.4 of the MCCG and further promote objectivity of the AC, the Board had appointed Ms. Sharon Shanthi a/p Dorairaj as a member of the AC effective 15 December 2022, following the vacation of membership in the AC by En. Mohamed Shafeii Bin Abdul Gaffoor.

Two (2) of the AC members are chartered accountants and all members of the AC are well educated and financially literate. They attended courses to improve their understanding of matters under the purview of the AC, including developments in accounting and auditing standards and practices. None of the members of the AC were former key audit partners who are required to exercise a cooling-off period of at least three (3) years before his/her appointment to the AC.

The AC undertook an annual assessment of the competency and independence of the external auditors and recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM. The external auditors were 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 had 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 and its affiliates for FY2022 was RM808,337. Further information on the AC can be found in the AC Report on pages 95 to 97 of this IAR.

**RISK MANAGEMENT AND INTERNAL CONTROL****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 AC is responsible to assist the Board in ensuring the adequacy and effectiveness of internal controls and oversees the risk management function through the Risk Management Committee ("RMC"). The RMC comprises a majority of independent directors to oversee the Group's risk management framework and policies. 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. Further details of the risk management and internal control are set out in the Statement on Internal Control and Risk Management on pages 91 to 94 of this IAR.

**Internal Audit ("IA")**

The Board has established an in-house 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 2022 audit plan approved by the AC.

The Board ascertained that the IA personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence and is satisfied that the IA function 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. The AC, in its oversight of the IA function, was satisfied that the said function was effective and able to function independently. Further details of the IA function are contained in the AC Report on page 96 of this IAR.

## Corporate Governance Overview Statement (Cont'd)

### C

#### Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

##### COMMUNICATION WITH STAKEHOLDERS

The Board aims to achieve effective engagement with our shareholders and other stakeholders by providing information that are consistent, accurate, transparent and timely through various platforms including our Company's website, annual reports, financial statements, announcements made to Bursa Malaysia and engagements through the investor relations function. A summary of our Stakeholders Engagements' activities conducted in FY2022 are shown on pages 23 to 24 of the Sustainability Statement of this IAR.

This year, KOSSAN commenced its integrated reporting journey by issuing our first IAR based on the International Integrated Reporting Council's Integrated Reporting Framework. Through this IAR, we hope to improve the quality of information disclosures to our stakeholders.

##### CONDUCT OF GENERAL MEETING

The Company had leveraged on technology by conducting the 42<sup>nd</sup> AGM virtually. The Notice of the 42<sup>nd</sup> AGM was sent to all shareholders at least 28 days in advance of the 42<sup>nd</sup> AGM ensuring shareholders were given sufficient notice and time to consider the agenda items that will be discussed and decided at the AGM.

All Directors and senior management attended the 42<sup>nd</sup> AGM, either at the broadcast venue or virtually, to address questions raised by shareholders, financial and/or non-financial related. Shareholders, corporate representatives and proxies who registered for remote participation via Boardroom Smart Investor Portal were able to join the live streaming of the proceedings of the AGM, posed questions and casted their votes online. The Company had appointed Tricor Business Intelligence & Solutions as the moderator to provide objectivity in streaming the questions raised by the shareholders. To make the AGM more meaningful and interactive, questions posed by shareholders were display on screen to all meeting participants during the meeting itself.

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. The poll results were announced to Bursa Malaysia on the same day for the benefit of shareholders.

The Minutes of the 42<sup>nd</sup> AGM (including the responses to the related questions raised by shareholders during and after the AGM) were published in our website within 30 business days after the conclusion of the 42<sup>nd</sup> AGM.

 [KOSSAN 42<sup>nd</sup> AGM Minutes](#)

##### COMPLIANCE STATEMENT

This Statement was approved by the Board on 13 April 2023.