

Corporate Governance Overview Statement

The Board of Directors ("Board") of Kossan Rubber Industries Bhd. ("KOSSAN" or "the Company") remains committed and continues to endeavour to comply with the principles and practices set out in the Malaysian Code on Corporate Governance 2021 ("MCCG") with the aim in ensuring long-term sustainable growth of the Group for the interest of shareholders and other stakeholders. With that in mind, the Board regularly reviews its corporate governance practices ensuring alignment with the MCCG and applicable regulatory obligations.

We are pleased to present our Corporate Governance Overview Statement ("Statement") for the financial year ended 31 December 2024 ("FY2024"). This Statement provides an overview on how the Company and its subsidiaries ("Group") had applied and adopted the three (3) principles of the MCCG during the financial year under review.

This Statement is prepared in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") and should be read together with the Corporate Governance Report 2024 ("CG Report"), which is available on our corporate website at <https://www.kossan.com.my/about-us/corp-governance.html>.

PRINCIPLE A

Board Leadership and Effectiveness

ROLES AND RESPONSIBILITIES OF 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 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 corporate website at <https://www.kossan.com.my/about-us/corp-governance.html>.

BOARD COMPOSITION

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").

Chairman

En. Mohamed Shafeii bin Abdul Gaffoor, 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. The Chairman of the Board is not a member of the Audit, Nominating and Remuneration Committees.

The positions of the Chairman of the Board and Chief Executive Officer ("CEO") are held by different individuals. Their clear and distinct roles and responsibilities are set out in the Board Charter. This is to ensure balance of power and authority with no one individual has unfettered powers on decision making.

Group Managing Director/Chief Executive Officer

Tan Sri Dato' Lim Kuang Sia, the Group Managing Director/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, he is also the Whistleblowing Committee Chairman who oversees the whistleblowing function and ensures its effectiveness.

Independent Non-Executive Directors

Our INEDs play an important role in providing objective, impartial and independent views, advice and judgment to the Board. Their presence ensures adequate check and balance in Board decisions and safeguard the interest of minority shareholders. During the financial year under review, the Board was satisfied that all INEDs has met the independence guidelines as set out in the MMLR and are able to continue to bring independent and objective judgment to the Board.

Corporate Governance Overview Statement (Cont'd)

Policy on the Tenure of Independent Directors

The Board adopts the 12-year tenure limit for independent directors as set out in the MMLR. During the financial year review, none of the independent directors' tenure exceeded nine (9) years except for Mr. Lee Choo Hock. In line with the 12-year tenure limit, Mr. Lee will be retiring at the conclusion of the 45th AGM.

Policy on Conflict of Interest

In February 2024, the Board adopts a Conflict of Interest ("COI") Policy for Directors and Key Senior Management to ensure that any actual or potential COI that a director or key senior management declared is appropriately dealt with or managed. The policy sets out the guidance in identifying COI situations, disclosure requirements and the measures to be taken to resolve, eliminate or mitigate such conflicts.

Board and Board Committees Attendance

Members of the Board and Board Committees had discharged their roles and responsibilities in FY2024 through their attendance at the Board and Board Committees meetings which were set out as below:

	BOD	AC	NC	RC	RMC
MOHAMED SHAFEE BIN ABDUL GAFFOOR <i>Chairman, Independent Non-Executive Director</i>	6/6				
TAN SRI DATO' LIM KUANG SIA <i>Group Managing Director/CEO, Non-Independent Executive Director</i>	6/6				
LEE CHOO HOCK <i>Senior Independent Non-Executive Director</i>	6/6	6/6	3/3	1/1	4/4
HOH KIM HUAN <i>Independent Non-Executive Director</i>	6/6	6/6	3/3	1/1	4/4
SHARON SHANTHY A/P DORAIRAJ <i>Independent Non-Executive Director</i>	6/6	6/6	3/3	1/1	
TAN KONG CHANG <i>Non-Independent Executive Director</i>	6/6				
LIM SIAU TIAN <i>Non-Independent Executive Director</i>	6/6				
LIM SIAU HING <i>Non-Independent Executive Director</i>	6/6				
LIM OOI CHOW <i>Non-Independent Executive Director</i>	6/6				4/4

Chairperson

Member

BOD

Board Of Directors

AC

Audit Committee

NC

Nominating Committee

RC

Remuneration Committee

RMC

Risk Management Committee

Corporate Governance Overview Statement (Cont'd)

Board Administration

In relation to board meetings, agendas for upcoming meetings were set by the Chairman and supported by the Company Secretary. The notices and agendas were 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 was 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.

Company Secretaries

The Board is supported by two suitably qualified and competent Company Secretaries. The Company Secretaries assisted the Chairpersons 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.

BUSINESS CONDUCT AND CORPORATE CULTURE

The KOSSAN Code of Ethics and Conduct ("KCEC")

The KCEC was adopted to help the employees of the Group to make the right choices and to act appropriately in response to ethical behaviour in the workplace. The KCEC is applicable to all directors and employees of KOSSAN.

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. The ABC Policy is also available on our corporate website.

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 which comprises 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. The policy and procedures on whistleblowing can be found on our corporate website at <https://www.kossan.com.my/about-us/corp-governance.html>.

Corporate Governance Overview Statement (Cont'd)

SUSTAINABILITY GOVERNANCE

The responsibility to embed sustainability in the Group's business strategy and operations rests with the Board. The Board is assisted by the Group Managing Director/CEO who oversees the formulation, implementation and effective management of the Company's sustainability strategies and targets. In 2022, 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.



Further details on the sustainability governance, stakeholders engagements and material matters can be found on pages 14 to 27 of the Sustainability Report 2024.

TRAINING AND DEVELOPMENT OF DIRECTORS

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.

During the financial year under review, two in-house training programmes related to sustainability and risk management were organised for the Directors. The conferences, seminars and training programmes attended by the Directors in FY2024 are set out on pages 8 to 11 of the CG Report.

NOMINATING COMMITTEE ("NC") STATEMENT

The NC comprises exclusively of INEDs and is chaired by Ms. Sharon Shanthi a/p Dorairaj. The NC plays an essential role in ensuring the effectiveness of our Board. This includes reviewing and assessing the composition of the Board, tenure of the independent directors and appointment and/or re-appointment of a board member. The NC is also responsible for assessing the performance of the Directors of the Company every year.

Appointment of New Directors

The NC is responsible for assessing suitable candidates for any new appointment of directors to the Board. Candidates are sourced from unrelated third parties and the NC will interview the shortlisted candidates prior to recommending to the Board for approval.

The NC has a selection criterion which are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender as well as the criteria specified in the Directors Fit and Proper Policy ("DFPP"). The DFPP serves as a guide to ensure the person appointed or elected/re-elected as a Director possesses the necessary character, integrity, experience, competence and time commitment to discharge his/her role effectively.

Re-election of Directors

Annually, the NC reviewed the eligibility 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 Board Effectiveness Evaluation for FY2024, their contribution to board deliberations, their ability to act in the best interest of the Company in decision making and also the DFPP, the NC was satisfied that each retiring Director met the performance criteria required for an effective Board and recommended the re-elections of the retiring Directors to the Board. All retiring directors, being eligible, have offered themselves for re-election at the 45th AGM. Each of the retiring Directors abstained at the Board deliberations and decisions regarding his 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 re-appointment of the retiring Directors at the forthcoming AGM. The statement of support is included in the notes accompanying the Notice of AGM.

Mr. Lee Choo Hock having served as an Independent Non-Executive Director of the Company would reach his twelfth-year on 25 August 2025. In this regard, Mr. Lee has indicated that he will not stand for re-election and will be retiring from the Board upon the conclusion of the AGM.

Corporate Governance Overview Statement (Cont'd)

Board Effectiveness Evaluation ("BEE")

The NC, being the evaluation committee, undertook the annual evaluation of the Board as a whole, board committees and individual directors. For the financial year under review, the NC recommended the Board to engage Boardroom Corporate Services Sdn Bhd ("Boardroom"), an external independent consultant, to facilitate the board evaluation for the period 1 January 2024 to 31 December 2024 ("BEE 2024"), after evaluating Boardroom's proposed approach and methodology for the BEE 2024.

Scope of the Evaluation

The BEE 2024 was conducted by way of tailor-made questionnaires that focused on the effectiveness of the Board as a whole, Board Committees and individual directors. Board effectiveness was assessed in terms of its composition, function, access to information, operation and issues on board agenda, Board Chairman's role, relationship with Management, shareholders and stakeholders as well as ESG considerations. The evaluation also covered the assessment of the Board's collective skills sets and diversity to meet the needs of the Company. Further, all Board Committees were reviewed based on their composition, expertise and whether their functions and responsibilities were effectively discharged in accordance with their respective TOR. Individual directors were assessed on their skill sets, fit and properness, contribution and performance as well as his/her calibre and personality. With regards to the Independent Directors, their independence was also assessed.

Outcome and Observations

The results of the BEE 2024 were analysed by Boardroom and tabled at the NC and Board meetings held on 19 February 2025. The overall results were positive, with an average overall rating of 3.5 out of 4.0. The BEE Report highlighted the key strengths of the Board and identified the areas for improvement based on best practices. The NC deliberated at length on each area for improvement proposed by Boardroom and recommended action plans for areas requiring enhancement opportunities for continuous improvement. Additionally, each director was provided of his/her own individual results from the self and peer assessment.

The Board adopted the BEE Report and the action plans for improvement as recommended by the NC. The Board noted that the outcome of the BEE 2024 indicated that the performance of the Board, the Board Committees and the individual Directors during the evaluation period had been satisfactory and all directors had discharged their duties and functions effectively. The Board was satisfied with each of the Directors' level of performance and their contribution to the Board. Further, all Independent Directors had met the independence guidelines as set out in the MMLR and able to continue to bring independent and objective judgment to the Board.


The outcome of the BEE 2024 formed one of the basis of the NC's recommendations to the Board for the re-election of Directors at the forthcoming 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. The Group's Remuneration Policy can be found on our corporate website at <https://www.kossan.com.my/about-us/corp-governance.html>.

The Remuneration Committee ("RC") is chaired by Mdm Hoh Kim Hyan, an INED and the members comprises wholly of INEDs. During the financial year under review, the RC reviewed the remuneration packages of the EDs and senior management prior recommending their packages to the Board for approval. The proposed fees for INEDs were reviewed by the Board as a whole.

To ensure impartiality and transparency, Directors do not participate in discussions or voting on decisions relating to his/her own remuneration package during the RC and Board meetings.

 Details of the remuneration of Directors of the Company for FY2024 on a name basis, including the components of remuneration, can be found on page 38 of the CG Report.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 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.

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 and payable for non-audit services rendered by the Group external auditors and its affiliates for FY2024 was RM230,100.

 A summary of the activities undertaken by the AC in FY2024 are set out in the AC Report on pages 53 to 54 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 Risk Management and Internal Control on pages 49 to 52 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 2024 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 55 of this IAR.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 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 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 FY2024 are shown on pages 15 to 17 of the Sustainability Report 2024.

CONDUCT OF GENERAL MEETING

The Company had leveraged on technology by conducting the 44th AGM virtually. The Notice of the 44th AGM was sent to all shareholders at least 28 days in advance of the 44th 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 44th 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 and voting 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. To make the AGM more meaningful and interactive, questions posed by shareholders were displayed 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 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 44th AGM (including the responses to the related questions raised by shareholders during and after the AGM) were published in our corporate website within 30 business days after the conclusion of the 44th AGM at <https://www.kossan.com.my/investors/corporate-information.html>.

COMPLIANCE STATEMENT

This Statement was approved by the Board on 16 April 2025.

