

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 8079  
**COMPANY NAME** : Lee Swee Kiat Group Berhad  
**FINANCIAL YEAR** : December 31, 2021

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

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| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>The Board is responsible to set a strategic direction of Lee Swee Kiat Group Berhad ("the Company" or "LSK") and its subsidiaries ("the Group") with measurable objectives and goals. The Group aims to be one of the largest natural latex bedding manufacturers in Association of South East Asia Nations ("ASEAN"). The Group practises conservative corporate financing structure with healthy cash flow to ensure sufficient resources are available for future expansion to achieve its target.</p> <p>LSK endeavours to become a responsible corporate citizen by incorporating Corporate Social Responsibilities ("CSR"). The Board embedded Economics, Environment and Social ("EES") into the corporate mission to ensure sustainability of the Group.</p> <p><u>Mission Statement of the Group</u><br/>LSK is a responsible corporate citizen helping people to sleep better by using environmentally friendly natural latex as raw materials, through utilizing energy-efficient green technology production methods, in order to minimise carbon footprint to the environment.</p> <p>The key responsibilities of the Board are as follows:-</p> <ol style="list-style-type: none"><li>(1) Together with Senior Management, promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour.</li><li>(2) Review and set a strategic plan for the Group to ensure that the strategic plans for the Group support long-term value creation and includes strategies on economic, environment and social considerations underpinning sustainability.</li><li>(3) Review, challenge and decide on Management's proposals for the Group, and monitor its implementation by Management.</li></ol> |

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|  | <p>(4) Oversee the conduct of the Group’s business to ensure it is properly managed, including supervising and assessing corporate behaviour and conduct of the business of the Group.</p> <p>(5) Identify the principal risks and ensuring implementation of appropriate internal controls and mitigation measures to achieve a proper balance between risks incurred and potential returns to the shareholders.</p> <p>(6) Understand the principal risks of the Company’s business and recognise that business decisions involve the taking of appropriate risks.</p> <p>(7) Ensure there is a sound risk management and internal control framework to safeguard the Group’s assets.</p> <p>(8) Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.</p> <p>(9) Review the information and risk management and internal control system and the effectiveness of Management.</p> <p>(10) Ensure Senior Management has the necessary skills and experience and there are measures for orderly succession planning for the Company’s Board of Directors and Senior Management which are reviewed on an annual basis, and to ensure that there are appropriate policies for training, appointment and performance monitoring of Senior Management.</p> <p>(11) Review, adopt and monitor the annual budget for the Group with regular revision on forecast taking into account the changes in the economic, legal, social and general business environments.</p> <p>(12) Review and approve the Group’s financial statements and other reporting prepared in accordance to the prevailing accounting standards as well as Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad and ensure the integrity of the Group’s financial and non-financial reporting.</p> <p>(13) Constant review of various key performance ratios and embedded the performance link compensation plan in an Executive Directors Incentive Scheme for the Executive Directors, with key performance indicators including profitability, return on shareholders’ fund and gearing ratio target to encourage prudent financial management without involving excessive gearing.</p> |
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|   | <p>(14) Carry out periodic review of the Code of Conduct and Ethics of the Group as follows:</p> <ul style="list-style-type: none"> <li>(i) Practise the Group’s Motto “EIE” which stands for “Efficient, Improve, Integrity and Effective”.</li> <li>(ii) Compliance to all applicable laws, rules and regulations: <ul style="list-style-type: none"> <li>(a) Constantly be aware of all applicable laws, rules and regulations for lawful Company’s business operations.</li> <li>(b) The major laws, rules and regulations including, inter alia, the Income Tax Act, Labour Law, MMLR and Sales and Services Tax Act.</li> </ul> </li> <li>(iii) Promote sustainability on environment, community and working environment by communicating the Social Responsibility Philosophy to the Group’s employees.</li> <li>(iv) Cultivate an environment of high integrity by having a Whistle Blowing Policy to complement the internal audit procedures to assist the Board in deterring and early detection of fraud.</li> </ul> <p>(15) Ensure the Company has in place procedures to enable effective communication with stakeholders.</p> <p>The Board reserves a formal schedule of matters for the Board’s deliberation and approval. This includes, amongst others, the following matters:-</p> <ul style="list-style-type: none"> <li>(a) Strategic issues and planning, including sustainability;</li> <li>(b) Budget and performance reviews;</li> <li>(c) Quarterly financial results and audited financial statements;</li> <li>(d) Dividend policy or declaration of dividends;</li> <li>(e) Capital expenditures;</li> <li>(f) Material borrowings;</li> <li>(g) Treasury policies;</li> <li>(h) Key human resources issues;</li> <li>(i) Material acquisitions and disposals of undertakings and properties;</li> <li>(j) Proposed appointment of external auditors and their audit fees;</li> <li>(K) Related party transactions (“RPT”), recurrent RPT and conflict of interest and any other transaction, procedures or course of conduct that raises question on management integrity and any recommendations relating thereto; and</li> <li>(l) New venture.</li> </ul> |
| <p><b>Explanation for departure</b></p>   | <p>:</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>:</p>   |

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| <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 1.2

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

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Chairman of the Board is the founder of the Group, Mr Lee Ah Bah @ Lee Swee Kiat ("Mr Lee"). Mr Lee has more than 50 years of experience in business and provide good guidance on the strategy of the Group.</p> <p>The responsibilities of the Chairman of the Board are:-</p> <ol style="list-style-type: none"><li>(1) Leading the Board in setting its value, ethical standards, establish and monitoring good corporate governance practices in the Group;</li><li>(2) Developing corporate strategies;</li><li>(3) Leading Board discussion, encourage active participation and allowing dissenting views to be freely expressed;</li><li>(4) Setting the Board agenda with the assistance of the Company Secretary and ensuring all Board members receive complete and accurate information in a timely manner and all relevant issues for the effective running of the Company's business are on the agenda;</li><li>(5) Provide leadership for the Board to ensure the Board perform its responsibilities effectively in compliance with Board Charter;</li><li>(6) Attaining long-term growth objectives of the Group.</li><li>(7) Ensure timely dissemination of Board Papers to the Board members.</li><li>(8) Managing the interfere between Board and Senior Management;</li><li>(9) Ensuring proper flow of information to the Board, reviewing adequacy and timing of documentary materials in support of Management's proposal and review of performance of the Company and/or Group;</li><li>(10) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and</li><li>(11) Presiding over the Board and general meetings of the Company.</li></ol> |
| <b>Explanation for departure</b>                  | : |  |
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*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The positions of Executive Chairman and Managing Director are held by two different individuals. The Executive Chairman is Mr Lee Ah Bah @ Lee Swee Kiat, while the Managing Director is Dato' Lee Kong Sim, Eric. The role of the Executive Chairman and Managing Director are clearly segregated to ensure a balance of responsibility and authority.</p> <p>The respective roles and responsibilities of the Executive Chairman and Managing Director are provided in the Board Charter, which is available on the Company's website at <a href="http://www.lsk.com.my">www.lsk.com.my</a>.</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

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| <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> :   | Applied  |
| <b>Explanation on application of the practice</b> :  | <p>The Chairman of the Board, Mr Lee Ah Bah @ Lee Swee Kiat ("Mr Lee"), is not a member of the Audit Committee and Nomination and Remuneration Committee ("Board Committees") of the Company since the date of his appointment to the Board on 3 February 2004. Further, Mr Lee had not been invited to participate in the meeting and deliberation of the Board Committees to ensure there is check and balance as well as objective review by the Board.</p> <p>This practice has been embedded in the Board Charter and Terms of Reference of the respective Board Committees which are available on the Company's website at <a href="http://www.lsk.com.my">www.lsk.com.my</a>.</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 1.5

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.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Group has two external competent Company Secretaries who are qualified under Section 235(2) of the Companies Act 2016 ("CA 2016"). Both the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators.</p> <p>The Company Secretaries work closely with the Board and Board Committees, and play an important role in implementation of corporate governance by advising the Board and its Committees in compliance with the Main Market Listing Requirements ("MMLR"), the CA 2016 and other relevant laws and regulations.</p> <p>The roles and responsibilities of the Company Secretaries include, but are not limited to the following:-</p> <ol style="list-style-type: none"><li>(1) Advise the Board on its roles and responsibilities;</li><li>(2) Advise the Board on corporate disclosures and compliance with the CA 2016 and MMLR of Bursa Securities;</li><li>(3) Ensure that Board procedures and applicable rules are observed during meetings;</li><li>(4) Attend and record minutes of the Board and Board Committees meetings and facilitate communications;</li><li>(5) Maintain records of the Board and Board Committees and ensure effective management of the Company's statutory records;</li><li>(6) Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;</li><li>(7) Manage processes pertaining to the Annual General Meetings and General Meetings; and</li><li>(8) Carry out other functions as may be directed by the Board from time to time.</li></ol> <p>The Company Secretaries keep themselves abreast of relevant corporate governance and regulatory requirements by undertaking continuous professional development.</p> |
| <b>Explanation for departure</b>                  | : |  |

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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
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### Intended Outcome

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

### Practice 1.6

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

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Directors may hold meetings for the despatch of business and adjourn and otherwise regulate their meetings as they think fit. The annual meeting schedule is prepared and circulated in advance to facilitate Directors' planning.</p> <p>The Group practices timely dissemination of the relevant meeting materials to the Directors and relevant parties prior to the meeting. The meeting materials were distributed at least five (5) business days in advance of the Board meetings via electronic mail transmission or hard copy as needed to the respective Directors to enable the Directors to obtain further explanations, where necessary, in order to be sufficiently briefed before the meeting.</p> <p>For every Board meeting, the Chairman ensure adequate time is allocated for discussion of issues tabled to the Board for deliberation.</p> <p>Upon completion of each Board meeting, the Company Secretaries will circulate the minutes to Directors for review before approving it as soon as practicable. The Board ensures that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including dissenting view and Directors' abstention from deliberation and decision on a particular manner.</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 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.

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| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>The Board maintains a Board Charter which clearly defines the following matters:-</p> <ol style="list-style-type: none"><li>(1) Composition of the Board;</li><li>(2) Board Independence;</li><li>(3) Appointment of Directors;</li><li>(4) Tenure of Directors;</li><li>(5) Board Performance;</li><li>(6) Directors' Time Commitment;</li><li>(7) Roles and Responsibilities of the Board, the Executive Chairman, Managing Director, Executive Directors and Non-Executive Directors, Independent Non-Executive Directors, Senior Independent Non-Executive Directors and Senior Management;</li><li>(8) Board Committees;</li><li>(9) Remuneration of Directors and Senior Management;</li><li>(10) Board Meetings;</li><li>(11) Access to Information and Independent Advice;</li><li>(12) Company Secretary;</li><li>(13) Directors' Induction and Training;</li><li>(14) Investor Relations and Shareholders Communication;</li><li>(15) Code of Conduct and Ethics;</li><li>(16) Environmental, Social and Governance;</li><li>(17) Conflict of Interest;</li><li>(18) Confidentially and Disclosures of Interest;</li><li>(19) Dealings in Securities;</li><li>(20) Whistle Blowing Policies and Procedures; and</li><li>(21) Anti Corruption and Bribery Policy.</li></ol> <p>The Board had also put in place limits of authority for various management positions. There are certain material issues and decisions, especially for any non-recurring transactions exceeding RM250,000 in value, are reserved for the Board.</p> <p>The Board Charter is subject to periodical review by the Board in accordance with the needs of the Company to ensure it remains</p> |

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|   | <p>consistent with the Board’s objectives and responsibilities and continued compliance with legal and corporate governance requirements, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Company’s Constitution.</p> <p>The Board Charter was reviewed by the Board on 25 January 2022.</p> <p>A copy of the Board Charter is available on the Company’s website at <a href="http://www.lsk.com.my">www.lsk.com.my</a>.</p> |  |
| <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

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.

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| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>The Board has established a Code of Conduct and Ethics ("CCE") for the Group. The Board together with Management, implements its policies and procedures including managing potential conflicts of interests, preventing abuse of power, corruption, insider trading and money laundering to ensure compliance with the relevant laws, rules and regulations.</p> <p>This CCE acts as a reference for conducts of which the Board wishes the Group to practise in its day-to-day operations.</p> <p>The Group's list of Standards of Conducts were:-</p> <ul style="list-style-type: none"><li>(a) To practice the Group's Motto "EIIIE" which stands for "Effective, Integrity, Improve and Efficient";</li><li>(b) Compliance to all applicable laws, rules and regulations;</li><li>(c) To promote sustainability on environment, community and working environment;</li><li>(d) To cultivate environment of high integrity by having a Whistle Blowing Policy; and</li><li>(e) To avoid situation that may cause conflict of interest to arise. Should such situation become unavoidable, action in the best interest of the company should be taken</li></ul> <p>The CCE is reviewed periodically by the Board and revised as and when appropriate. A copy of the CCE is available on the Company's website at <a href="http://www.lsk.com.my">www.lsk.com.my</a>.</p> <p>The Board of Directors has established the Anti-Corruption and Bribery Policy in compliance with the Malaysian Anti-Corruption Commission (Amendment) Act 2018. This policy serves to provide guidance on how to recognize and deal with bribery and corruption issues and act as a deterrence to such practices. This is to promote fair and equitable business practices with business ethics.</p> |

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|  | The Anti-Corruption and Bribery Policy is reviewed periodically by the Board and revised as and when appropriate. A copy of the policy is available on the Company's website at <a href="http://www.lsk.com.my">www.lsk.com.my</a> . |  |
| <b>Explanation for departure</b>   | :  |  |
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| <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 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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board has established a Whistle Blowing Policy (“WB Policy”) with clear objectives, scopes as well as fraud reporting and investigation procedures to complement the internal audit procedures to assist the Board in deterring and early detection of fraud from day-to-day operations.</p> <p>Any employee that suspected fraud could report directly to the Management, the internal auditors, Executive Directors or even directly to the Chairman of the Audit Committee through his designated email. The identity of the whistle blower will be kept anonymous and external investigators may be engaged to carry out necessary investigations. The Chairman of the Audit Committee may decide or bring the matter to the Audit Committee to decide on the next course of action to be taken, including making a formal police report, if the situation warrants it.</p> <p>The WB Policy is reviewed periodically by the Board and revised as and when appropriate and available on the Company’s website at <a href="http://www.lsk.com.my">www.lsk.com.my</a>.</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 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.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Board recognises the need for strategies and plans to promote and contribute towards sustainable development with particular focus on economic, environmental, social and governance ("ESG") aspect of business, and together with Management ensure that the strategic plan of the Group supports the long-term shareholder value creation and includes strategies on ESG considerations underpinning sustainability in the Group's operations.</p> <p>The governance and reporting on the Group's sustainability agenda are led by the Managing Director and overseen by the Board. Management is tasked to integrate sustainability considerations in the day-to-day operations of the Group and ensure the effective implementation of the Group's sustainability strategies and plans.</p> <p>The Group endeavours to use renewable natural latex as its key raw material in the production of its bedding products, which reduces its reliance on fossil based material and thus help to reduce carbon emission.</p> <p>The Group pioneered the use of organic latex in its production in Malaysia to further encourage environmental friendly supply chain without using artificial pesticides and fertilizers.</p> <p>Further, the Group invested in co-generator which qualified under the Green technology as promoted by the Malaysian Investment Development Authority.</p> |
| <b>Explanation for departure</b>                  | : |  |
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*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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| <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   |  |  |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |
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| <b>Explanation on application of the practice</b> | :  | <p>The Group's sustainability strategies are communicated via its annual Sustainability Statement to its internal and external stakeholders, which is available on the Company's website at <a href="http://www.lsk.com.my">www.lsk.com.my</a>.</p> <p>The key stakeholder group of the Company and their respective engagement are as follows:-</p> <table border="1"> <thead> <tr> <th rowspan="2">Key Stakeholders</th> <th rowspan="2">Engagement Type</th> <th colspan="3">Material Sustainable Issues</th> </tr> <tr> <th>Economic</th> <th>Environmental</th> <th>Social</th> </tr> </thead> <tbody> <tr> <td>Customers</td> <td>Surveys and meeting</td> <td>Financial stability</td> <td>Eco-friendly product</td> <td>Culture, welfare</td> </tr> <tr> <td>Controlling Shareholders</td> <td>Meetings</td> <td>Profit maximisation</td> <td>Compliance with all Department of Environment Malaysia and other relevant requirements</td> <td>Occupational health and safety</td> </tr> <tr> <td>Investors</td> <td>Annual General Meeting / analyst meetings</td> <td>Sustainable dividend payment</td> <td>In compliance with eco-friendly practice</td> <td>Corporate social responsibility</td> </tr> <tr> <td>Suppliers</td> <td>Periodic meetings and discussions</td> <td>Financial stability</td> <td>Eco-friendly operation</td> <td>Corporate social responsibility</td> </tr> <tr> <td>Employees</td> <td>Performance appraisals and periodic meetings</td> <td>Healthy long-term growth for employment security</td> <td>Eco-friendly operation</td> <td>Employee welfare, happy culture and career advancement</td> </tr> <tr> <td>Government Agencies</td> <td>Direct engagement on compliance requirements</td> <td>Job creation, reliance on foreign labour</td> <td>Compliance with all relevant environmental regulations</td> <td>Corporate social responsibility</td> </tr> </tbody> </table> |  |  |  | Key Stakeholders | Engagement Type | Material Sustainable Issues |  |  | Economic | Environmental | Social | Customers | Surveys and meeting | Financial stability | Eco-friendly product | Culture, welfare | Controlling Shareholders | Meetings | Profit maximisation | Compliance with all Department of Environment Malaysia and other relevant requirements | Occupational health and safety | Investors | Annual General Meeting / analyst meetings | Sustainable dividend payment | In compliance with eco-friendly practice | Corporate social responsibility | Suppliers | Periodic meetings and discussions | Financial stability | Eco-friendly operation | Corporate social responsibility | Employees | Performance appraisals and periodic meetings | Healthy long-term growth for employment security | Eco-friendly operation | Employee welfare, happy culture and career advancement | Government Agencies | Direct engagement on compliance requirements | Job creation, reliance on foreign labour | Compliance with all relevant environmental regulations | Corporate social responsibility |
| Key Stakeholders                                  | Engagement Type                              | Material Sustainable Issues   |  |  |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |
|   |  | Economic  | Environmental  | Social   |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |
| Customers   | Surveys and meeting                          | Financial stability   | Eco-friendly product   | Culture, welfare                                       |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |
| Controlling Shareholders                          | Meetings                                     | Profit maximisation   | Compliance with all Department of Environment Malaysia and other relevant requirements | Occupational health and safety                         |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |
| Investors   | Annual General Meeting / analyst meetings    | Sustainable dividend payment  | In compliance with eco-friendly practice   | Corporate social responsibility                        |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |
| Suppliers   | Periodic meetings and discussions            | Financial stability   | Eco-friendly operation   | Corporate social responsibility                        |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |
| Employees   | Performance appraisals and periodic meetings | Healthy long-term growth for employment security  | Eco-friendly operation   | Employee welfare, happy culture and career advancement |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |
| Government Agencies                               | Direct engagement on compliance requirements | Job creation, reliance on foreign labour  | Compliance with all relevant environmental regulations                                 | Corporate social responsibility                        |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |
| <b>Explanation for departure</b>                  | :  |   |  |  |  |                  |                 |                             |  |  |          |               |        |           |                     |                     |                      |                  |                          |          |                     |  |                                |           |   |                              |  |                                 |           |                                   |                     |                        |                                 |           |  |  |                        |  |                     |  |  |  |                                 |

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| <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>  | : | <p>The Board through the Nomination and Remuneration Committee reviewed the training needs of the Directors to ensure that they stay abreast with the latest development in the industry as well as the sustainability issues which are relevant to the Group.</p> <p>The training programmes attended by each Director in the financial year under review are set out in pages 25 to 26 of the Company's Annual Report 2021.</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 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.

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board had through the Nomination and Remuneration Committee reviewed the performance evaluation for the Board and Board Committee in which the relevant environmental, social and governance considerations and sustainability targets had been integrated into the annual Board and Board Committee Performance Evaluation to ensure accountability in the performance of the Directors against sustainability targets.</p> <p>Whereas senior management is required to follow the Group’s pursuits in achieving its sustainability initiatives.</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 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>                             | : | 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 5.1

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.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board through the Nomination and Remuneration Committee conducted an annual review of its composition, assess the suitability of the candidates for re-election of Directors by shareholders under the annual re-election provisions or retirement in accordance with the Company's Constitution, with due consideration to the extent to which the interplay of the Director's expertise, skills, knowledge, tenure and experience with those of other board members, as well as their roles as committee members. The re-election of a Director is contingent on satisfactory evaluation of the Director's performance and contribution to the Board.</p> <p>Pursuant to Clause 76(3) of the Company's Constitution, one-third of the Directors for the time being shall retire annually and all Directors shall retire once at least in each three (3) years but shall be eligible for re-election. The schedule for retirement by rotation is based on the Directors who have been longest in office since the Director's last election.</p> <p>The Directors who retire by rotation pursuant to the Company's Constitution are required to furnish their consent on re-election before the NRC recommends their re-election as Directors to the Board of Directors and subsequently, table for shareholders' approval at the Annual General Meeting.</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 5.2

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

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|--|---|--|
| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | <p>As at 31 December 2021, the Board comprised 7 Directors, i.e. 3 Executive Directors (which include the Executive Chairman and Managing Director) and 4 Non-Executive Directors, of which 3 are Independent Directors.</p> <p>All the Independent Non-Executive Directors of the Company met the relevant criteria for independence as defined under Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements (“MMLR”).</p> <p>The Company complies with the requirements under Paragraph 15.02 of the MMLR of Bursa Malaysia Securities Berhad (“Bursa Securities”), i.e. at least 2 Independent Directors or one-third of the Board, whichever is the higher, are Independent Directors.</p> <p>The Independent Non-Executive Directors are able to exercise independent judgement and provide balance to the Board with their unbiased and independent views, advice and judgement to all Board deliberations. All Independent Non-Executive Directors fulfill the criteria of independence as defined under Paragraph 1.01 and Practice Note 13 of the MMLR of Bursa Securities and they impartially provide check and balance to the Board.</p> <p>The Board consists of majority of Non-Executive Directors who act as a strong internal watch group for the governance of the Group.</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>   | : |  |
| <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 Board Charter stipulates that the tenure of the Company's Independent Directors shall not exceed a cumulative term limit of nine years. Upon completion of the 9 years, the Independent Director may continue to serve on the Board as Non-Independent Director. If the Board intends to retain an Independent Non-Executive Director beyond 9 years, the Board should provide justification and seek annual shareholders' approval through a two-tier voting process.</p> <p>To facilitate the restructuring of the Board Composition, Mr Au Thin An @ Low Teen Ann, who has served as Senior Independent Non-Executive Director ("INED") of the Company for more than 18 years, has retired on 1 December 2021.</p> <p>The Board through the Nomination and Remuneration Committee evaluate annually the independence, competency and contribution of the INED to the Group using the criteria specified in the Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to determine whether the Director is independent from Management and free of any business and other relationship that could materially interfere with or could be perceived to materially interfere with the exercise of the Directors unfettered or independent judgement.</p> <p>The Board has assessed the independence of all Independent Non-Executive Directors of the Company during financial year 2021, and has determined that all INED remain objective and independent.</p> <p>The tenure of the respective INEDs of the Company as of 31 December 2021 are as follows:</p> <table border="1"><thead><tr><th>Name of Director</th><th>Date of Appointment</th><th>Tenure (Approximate)</th></tr></thead><tbody><tr><td>Seow Nyoke Yoong</td><td>20 August 2018</td><td>3 years 4 months</td></tr><tr><td>Wong Yoke San</td><td>26 August 2019</td><td>2 years 4 months</td></tr><tr><td>Ng Fong Fong</td><td>1 November 2021</td><td>2 months</td></tr></tbody></table> | Name of Director | Date of Appointment | Tenure (Approximate) | Seow Nyoke Yoong | 20 August 2018 | 3 years 4 months | Wong Yoke San | 26 August 2019 | 2 years 4 months | Ng Fong Fong | 1 November 2021 | 2 months |
| Name of Director                                  | Date of Appointment | Tenure (Approximate)   |                  |                     |                      |                  |                |                  |               |                |                  |              |                 |          |
| Seow Nyoke Yoong                                  | 20 August 2018      | 3 years 4 months   |                  |                     |                      |                  |                |                  |               |                |                  |              |                 |          |
| Wong Yoke San                                     | 26 August 2019      | 2 years 4 months   |                  |                     |                      |                  |                |                  |               |                |                  |              |                 |          |
| Ng Fong Fong                                      | 1 November 2021     | 2 months   |                  |                     |                      |                  |                |                  |               |                |                  |              |                 |          |

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| <b>Explanation for departure</b> :   |  |  |
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| <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.

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

|   |   |  |
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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Group practices meritocracy in the appointment of Board members and Senior Management, based on the objective criteria, skills, experience, gender, age and integrity.</p> <p>For the appointment of Board member, it shall be firstly reviewed by the Nomination and Remuneration Committee (“NRC”) before recommending the proposed appointment to the Board for approval.</p> <p>During the year under review, Mr Lee Kong Hooi and Ms Ng Fong Fong were appointed as Non-Independent Non-Executive Director/Deputy Chairman and Independent Non-Executive Director (“INED”) of the Company respectively. The NRC had reviewed and assessed their experience, qualification, skills, time commitment and expertise and was satisfied that they had fulfilled the required criteria set by the Board. With the recommendation of the NRC, the Board approved their appointment as as Non-Independent Non-Executive Director/Deputy Chairman and INED of the Company on 1 April 2021 and 1 November 2021, respectively.</p> <p>The Board recognises the value of appointing individual Directors who brings diverse opinions, skills, experience and backgrounds to its discussions and decision-making processes. The Board had a policy on selection of new Directors, the Board will take into account the diversity of the candidate’s skills, knowledge, expertise and experience, time commitment, character, professionalism and integrity as described in the preceding section and in addition, they shall not be an active politician. For the position of INED, the NRC will evaluate the candidates’ ability to discharge such responsibilities as expected from INED.</p> |
| <b>Explanation for departure</b>                  | : |  |

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| <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 5.6

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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>During the year under review, the Nomination and Remuneration Committee (“NRC”) had reviewed, deliberated and recommended the appointment of Ms Ng Fong Fong, who was sourced through an external search network, to the Board as Independent Non-Executive Director of the Company.</p> <p>While the appointment of Mr Lee Kong Hooi as Non-Independent Non-Executive Director/ Deputy Chairman of the Company was based on the recommendation made by the existing Directors of the Company. The NRC had reviewed and assessed the qualification and experience of Mr Lee Kong Hooi and was satisfied that his vast experience in bedding industry would benefit the Company and recommended the said appointment to the Board for approval.</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 5.7

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 procedures for appointment, re-election and re-appointment of Directors are set out in the Terms of Reference of the Nomination and Remuneration Committee (“NRC”).</p> <p>During the year under review, the Board with the recommendation by the NRC, approved the appointment of the following Directors:-</p> <p>(1) Mr Lee Kong Hooi (Non-Independent Non-Executive Director/ Deputy Chairman)</p> <p>(2) Ms Ng Fong Fong (Independent Non-Executive Director)</p> <p>The Board ensures that shareholders are kept informed on the changes in the composition of the Board and Board Committees via announcements on Bursa Link within the prescribed timeline under the Main Market Listing Requirements.</p> <p>The following Directors were proposed and recommended by the NRC and the Board for re-election by shareholders at the Eighteenth (18th) Annual General Meeting:-</p> <p>(1) Au Thin An @ Low Teen Ann – Clause 76(3) of the Company’s Constitution</p> <p>(2) Seow Nyoke Yoong - Clause 76(3) of the Company’s Constitution</p> <p>(3) Lee Kong Hooi - Clause 78 of the Company’s Constitution</p> <p>The information on the re-election and re-appointment of Directors were provided in the notice of 18th AGM to facilitate shareholders in making informed voting decisions.</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.*

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| <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.

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|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Nomination and Remuneration Committee is chaired by Ms Ng Fong Fong, an Independent Non-Executive Director of the Company.<br>Her profile is available on page 6 of the Company's Annual Report 2021. |  |
| <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.

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| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : | Please provide an explanation for the departure.  |  |
| <b>Explanation for departure</b>   | : | With the appointment of Ms Ng Fong Fong as an Independent Non-Executive Director of the Company on 1 November 2021, the Board has a 28.57% representation of women Directors. The top 5 Senior Management consists of 2 female representatives.                                     |  |
|  |   | The Board is supportive of the boardroom gender diversity as the Board appointed an additional female Director during the year.   |  |
|  |   | The Board also acknowledged the benefits of a balanced diversity in the Board composition and encourages a mix of gender in the Board and Senior Management team. The Board will consider the appointment of woman Director as and when the suitable woman candidate is identified. |  |
| <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 5.10**

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

|  |   |   |  |
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| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | The Board has not established a formal gender diversity policy on the participation of women representation on both the Board and the Senior Management.  |  |
|  |   | Nonetheless, the Board had taken the necessary steps to achieve gender diversity whereby the Board currently has 2 female Independent Non-Executive Directors and 1 female Alternate Director to the Executive Chairman as well as 2 female representatives in the top 5 Senior Management. |  |
|  |   | The Board believes that with 28.57% of the Board members comprising female Director, it shall provide reasonable women representation on the Board.   |  |
| <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

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.

|  |  |
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| <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>   | : Applied  |
| <b>Explanation on application of the practice</b>  | :<br><p>The Nomination and Remuneration Committee (“NRC”) was empowered by the Board to carry out formal annual evaluation of the Board, Board Committees and each individual Director to determine their effectiveness. The process is internally facilitated and conducted through questionnaires covering a variety of assessment criteria.</p> <p>The Directors are assessed based on the following:-</p> <ul style="list-style-type: none"><li>(a) Directors’ Self and Peer Evaluation; and</li><li>(c) Board and Board Committee Evaluation Form.</li></ul> <p>Each individual Director has specific tasks and some of them come with general functions within a committee. The evaluation of individual Director includes their performance for both specific and general functions, integrity, commitment and confidence to stand up for his view.</p> <p>The outcome of the Board, Board Committees and individual Director evaluation for 2021 were tabled to the NRC for review and upon discussion of the results, the NRC presented the findings to the Board.</p> <p>The results of the assessment revealed that the current mix of skills and experience of the Board of Directors and the respective Board Committees as a whole had met the requirements of the Company and the overall performance of the Board, the Board Committees and the members of the Board was effective and satisfactory.</p> |
| <b>Explanation for departure</b>   | :<br><br>  |

*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 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 Board has in place policies and procedures to determine the remuneration of Directors.</p> <p>The remuneration package of the Directors is aligned with the business strategy and long-term objectives of the Company, and to reflect the Board's responsibilities, expertise and complexity of the Company's business activities.</p> <p>The remuneration package for the Executive Directors consists of monthly remuneration, benefits-in-kind and Executive Directors Incentive Scheme ("EDIS"). EDIS is an incentive to the Executive Directors in lieu of bonus payment to reward them based on the Company's annual performance. The Key Performance Indicators of the EDIS covering profitability target return on shareholders' fund and gearing control to ensure conservative financing.</p> <p>For financial year 2021, approximately 37% of the Executive Directors' remunerations are incentive-based. Should the Group make a loss, no incentive will be payable to the Executive Directors under the EDIS.</p> <p>Independent Director will be paid a basic fee as well as a meeting allowance. The level of remuneration reflects the contribution and responsibilities undertaken by the Independent Director. The fees and the benefit (meeting allowance) are subject to shareholders' approval at the Annual General Meeting.</p> <p>No Board members, whether executive or non-executive, will be involved in deciding his own remuneration.</p> <p>The remuneration of Senior Management is tied to their individual responsibilities aligned to the long-term strategic plan of the Group.</p> |

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|  | Their remuneration package includes salaries, commissions and output incentives. |  |
| <b>Explanation for departure</b>   | :  |  |
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| <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.

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|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Nomination and Remuneration Committee ("NRC"), which comprises solely Independent Non-Executive Directors, is responsible to implement the Group's policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Executive Directors, Non-Executive Directors and Senior Management.</p> <p>The Terms of Reference of the NRC is available on the Company's website at <a href="http://www.lsk.com.my">www.lsk.com.my</a>.</p> <p>The main objective of remuneration procedures is to attract and retain talents that contributes positively to the Group, and provide basis for assessment with Key Performance Indicators to link remunerations to performances.</p> <p>The Directors who are shareholders of the Company abstained from voting at the 18th Annual General meeting ("AGM") on the resolution to approve their fees.</p> <p>The Company will table separate resolutions on the approval of Non-Executive Directors' remuneration at the forthcoming 19th AGM.</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**

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> | : | The detailed disclosure on named basis for the remunerations of individual Directors, including fees, salaries, incentives, defined contributions, benefits-in-kinds and others is set out in page 30 of the Company's Annual Report 2021. |

| No | Name   | Directorate   | Company ('000)  |                 |                 |                 |                  |                  |                 | Group ('000)    |                 |                 |                 |                  |                  |                 |
|----|--|---|-----------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|
|    |  |   | Fee             | Allowance       | Salary          | Bonus           | Benefits-in-kind | Other emoluments | Total           | Fee             | Allowance       | Salary          | Bonus           | Benefits-in-kind | Other emoluments | Total           |
| 1  | Lee Ah Bah @ Lee Swee Kiat                             | Executive Chairman                                      | 0               | 0               | 0               | 0               | 0                | 0                | 0               | 0               | 0               | 222.0           | 150.0           | 13.3             | 0                | 385.3           |
| 2  | Tan Kuin Luan  | Alternate Director                                      | 0               | 0               | 0               | 0               | 0                | 0                | 0               | 0               | 0               | 165.6           | 150.0           | 0                | 0                | 315.6           |
| 3  | Dato' Lee Kong Sim                                     | Executive Director                                      | 24.0            | 0               | 0               | 0               | 0                | 0                | 0               | 24.0            | 0               | 609.1           | 350.0           | 24.0             | 0                | 1,007.1         |
| 4  | Lee Kong Yam   | Executive Director                                      | 0               | 0               | 0               | 0               | 0                | 0                | 0               | 0               | 0               | 347.5           | 100.0           | 13.3             | 0                | 460.8           |
| 5  | Au Thin An @ Low Teen Ann (retired on 1 December 2021) | Senior Independent Non-Executive Director               | 63.6            | 3.0             | 0               | 0               | 0                | 0                | 66.6            | 63.6            | 3.0             | 0               | 0               | 0                | 0                | 66.6            |
| 6  | Seow Nyoke Yoong                                       | Independent Non-Executive Director                      | 33.6            | 3.0             | 0               | 0               | 0                | 0                | 36.6            | 33.6            | 3.0             | 0               | 0               | 0                | 0                | 36.6            |
| 7  | Wong Yoke San  | Senior Independent Non-Executive Director               | 33.6            | 3.0             | 0               | 0               | 0                | 0                | 36.6            | 33.6            | 3.0             | 0               | 0               | 0                | 0                | 36.6            |
| 8  | Lee Kong Hooi (appointed on 1 April 2021)              | Non-Independent Non-Executive Director/ Deputy Chairman | 25.2            | 2.4             | 0               | 0               | 0                | 0                | 27.6            | 25.2            | 2.4             | 0               | 0               | 0                | 0                | 27.6            |
| 9  | Ng Fong Fong (appointed on 1 November 2021)            | Independent Non-Executive Director                      | 5.6             | 0.6             | 0               | 0               | 0                | 0                | 6.2             | 5.6             | 0.6             | 0               | 0               | 0                | 0                | 6.2             |
| 10 | Input info here  | Choose an item.   | Input info here  | Input info here  | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here  | Input info here  | Input info here |
| 11 | Input info here  | Choose an item.   | Input info here  | Input info here  | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here  | Input info here  | Input info here |

|    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 12 | Input info here | Choose an item. | Input info here |
| 13 | Input info here | Choose an item. | Input info here |
| 14 | Input info here | Choose an item. | Input info here |
| 15 | Input info here | Choose an item. | Input info here |

### 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>   | : | The Board is of the opinion that such disclosure does not bring advantage and business interest to the Group, instead it will increase the risk of external poaching of talent which may be detrimental to the operation of the Group. |  |
|  | : | The disclosure of the remuneration of the top five Senior Management of the Group is currently made on an aggregate basis on page 31 of the Company's Annual Report 2021.  |  |
| <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>   | : |  |  |

| 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>  | : | <p>The Board has established an Audit Committee (“AC”) comprises solely Non-Executive Directors.</p> <p>The Chairman of the AC is Mr Wong Yoke San whilst the Chairman of the Board is Mr Lee Ah Bah @ Lee Swee Kiat.</p> <p>The Company’s Board Charter and the AC’s Terms of Reference set out the separation between the roles of the board Chairman and the Chairman of the AC.</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 9.2

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>  | : | <p>The Audit Committee ("AC") has incorporated in its Terms of Reference on the policy that "Any former partners of the external audit firm of the Company must observe a cooling off period of at least three (3) years before being appointed as a member of the Audit Committee. This shall apply to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc.) of the Company or any entity within the Group" as recommended under Practice 9.2 of the Malaysian Code on Corporate Governance.</p> <p>This is to avoid potential undue influence the former audit partner may exert over the external auditors. This does not apply if the external auditors is from different audit firm.</p> <p>As at 31 December 2021, the Group has not appointed any former key audit partner to be a member of the AC.</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 9.3

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 ("AC") has established formal procedures to assess the suitability, objectivity and independence of the external auditors. The assessment is conducted annually in written form, includes the competence, audit quality, and timeliness in performing the audit. The external auditors are required to give a written assurance confirming their independence to the AC annually. The AC would take into accounts any non-audit services rendered by the external auditors (if any) in their evaluation.</p> <p>For the financial year 2021, there is no non-audit service rendered by the external auditors. Two private meetings were held between the AC and the external auditors without the presence of Executive Directors and Management.</p> <p>The AC assessed and evaluated the Company's external auditors, Nexia SSY PLT on 2 April 2021 and was satisfied with the quality, performance, independence and suitability of the external auditors. Thus, the AC had recommended to the Board and shareholders on the re-appointment of the external auditors for the ensuing 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**

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 Nomination and Remuneration Committee reviews the terms of office and performance of the Audit Committee ("AC") and its members through an annual AC Evaluation Form.</p> <p>Based on the outcome of the AC Evaluation Form, all members of the Audit Committee ("AC") are financially literate and possess the requisite experience, skills and specialised knowledge to discharge their duties in accordance with the Terms of Reference of the AC.</p> <p>The Chairman of the AC is a Chartered Accountant and a member of the Malaysian Institute of Accountants, the Chartered Tax Institute of Malaysia and the Malaysian Institute of Chartered Secretaries and Administrators. The qualification and experience of the respective AC members are disclosed in the Board of Directors' Profile in pages 5 and 6 of the Company's Annual Report 2021.</p> <p>All AC members undertake continual professional development from time to time to keep themselves updated with the latest accounting standards and relevant practices.</p> <p>Details of the training of the Directors are available on pages 25 and 26 of the Company's Annual Report 2021.</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 maintains a sound and effective internal control system, which provides reasonable assessment of effective and efficient operations, internal financial controls, and compliance with laws and regulations as well as with internal procedures and guidelines to safeguard shareholders' investment and the Group's assets.</p> <p>The Board has taken an active approach to establish a Risk Management Framework to identify various potential key business risks of the Group, covering the following areas:-</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Key Areas</th> <th>Scope</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Risk Management</td> <td>(a) Fire risk<br/>(b) Competitive risk<br/>(c) Credit risk<br/>(d) Forex risk<br/>(e) Default risk<br/>(f) IT risk<br/>(g) Cyber risk</td> </tr> <tr> <td>2.</td> <td>Governance</td> <td>Related Party Transaction</td> </tr> <tr> <td>3.</td> <td>Internal Control</td> <td>(a) Receivables<br/>(b) Production<br/>(c) Payables<br/>(d) Accounting<br/>(e) HR<br/>(f) Stock<br/>(g) Operating Expenditure</td> </tr> <tr> <td>4.</td> <td>Compliance</td> <td>(a) Department of Environment (DOE)<br/>(b) Occupational Safety and Health Act 1994<br/>(c) COVID-19 or Others</td> </tr> </tbody> </table> <p>The Board actively identifies, assess and monitor key business risks, determine the level of risk tolerance and drawn up precautionary measures to contain and mitigate the risks.</p> | No. | Key Areas | Scope | 1. | Risk Management | (a) Fire risk<br>(b) Competitive risk<br>(c) Credit risk<br>(d) Forex risk<br>(e) Default risk<br>(f) IT risk<br>(g) Cyber risk | 2. | Governance | Related Party Transaction | 3. | Internal Control | (a) Receivables<br>(b) Production<br>(c) Payables<br>(d) Accounting<br>(e) HR<br>(f) Stock<br>(g) Operating Expenditure | 4. | Compliance | (a) Department of Environment (DOE)<br>(b) Occupational Safety and Health Act 1994<br>(c) COVID-19 or Others |
| No.   | Key Areas        | Scope   |     |           |       |    |                 |   |    |            |                           |    |                  |   |    |            |  |
| 1.  | Risk Management  | (a) Fire risk<br>(b) Competitive risk<br>(c) Credit risk<br>(d) Forex risk<br>(e) Default risk<br>(f) IT risk<br>(g) Cyber risk   |     |           |       |    |                 |   |    |            |                           |    |                  |   |    |            |  |
| 2.  | Governance       | Related Party Transaction   |     |           |       |    |                 |   |    |            |                           |    |                  |   |    |            |  |
| 3.  | Internal Control | (a) Receivables<br>(b) Production<br>(c) Payables<br>(d) Accounting<br>(e) HR<br>(f) Stock<br>(g) Operating Expenditure   |     |           |       |    |                 |   |    |            |                           |    |                  |   |    |            |  |
| 4.  | Compliance       | (a) Department of Environment (DOE)<br>(b) Occupational Safety and Health Act 1994<br>(c) COVID-19 or Others  |     |           |       |    |                 |   |    |            |                           |    |                  |   |    |            |  |

|   |  |  |
|---|--|--|
|   | <p>The Board has empowered the AC to oversee the continual monitoring and implementation of the various measures of containment and mitigation of risks by the Management’s Risk Management Committee which comprised the Executive Directors and certain Senior Management.</p> <p>The risk management report was tabled to the AC quarterly for review and assess the adequacy and effectiveness of the Risk Management Framework.</p> |  |
| <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

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>  | : | A detailed statement on how the Group evaluates key risk areas, the control in place to mitigate the risks, the periodic reviews and changes made are disclosed in the Statement on Risk Management and Internal Control in pages 38 to 40 of the Company's Annual Report 2021. |  |
| <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 Group's internal audit function is performed by the in-house internal audit team which provides the Board with much of the assurance it requires regarding the effectiveness, adequacy and integrity of the systems of internal control put in place. This function adopts a systematic risk-based approach and independently reviews on the risk exposures and control processes on governance, risk management and internal control processes implemented by the Management and reports directly to the Audit Committee ("AC").</p> <p>The AC conducts periodical review on the adequacy of the scope, functions, competency, experience and resources of the internal audit function and that it has the necessary authority to carry out its work. Any appointment or termination of senior staff members of the internal audit function shall be approved by the AC. The AC is responsible to review and assess the performance and effectiveness of members of the internal audit function.</p> <p>Further, the AC reviews the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function. The AC also reviews the annual internal audit plan of the Group with clear scope of audit and instruct the internal auditors to carry out the audits according to the plan.</p> <p>The Internal Auditor also carries out follow-up audits to ensure all audit findings and remedial actions recommended in the internal audit reports have been properly addressed.</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 Group's in-house internal audit team comprises 3 members and is currently headed by Ms Wong Huey Mei, who is a member of the Institute of Internal Auditors Malaysia.</p> <p>All the internal audit personnel are free from any family relationship with the Directors and/or major shareholder or conflict of interest which could impair their objectives and independence.</p> <p>The Audit Committee ("AC") would facilitate the internal auditors with appropriate authority and resources to carry out the role effectively. The AC would review quarterly the internal audit reports presented by the internal auditors and take appropriate actions including making suggestions and remedial measures to the Board to enhance any weakness in the internal controls and risk management.</p> <p>The internal auditors would continue with professional developments to keep abreast with the development in the relevant internal audit and risk management fields.</p> <p>The internal audit function is carried out in accordance with the International Professional Practices Framework promulgated by the Institute of Internal Auditors.</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 Board is mindful on the disclosure requirements of Bursa Malaysia Securities Berhad in relation to the proper and timely dissemination of information to the shareholders and recognises the importance of an effective communications channel between the Board, stakeholders, institutional investors and the investing public at large, with the objective of providing a clear and complete picture of the Group's performance and position as much as possible.</p> <p>The Company has established an official website at <a href="http://www.lsk.com.my">www.lsk.com.my</a> which channels the updates of official announcements, Annual Reports and other corporate information as well as corporate governance documents. There is also a link to the Group's marketing website showing portfolio of international brands.</p> <p>In addition, the Company also announce its quarterly financial results immediately after the financial results are approved at the Board Meetings. This is important in ensuring equal and fair access to information is provided to the public investors, so that the investors are able to make informed decisions.</p> <p>The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders for effective communications with the Company. The Company makes every effort to encourage maximum participation of shareholders at the AGM.</p> <p>The Managing Director is the Group's spokesperson for the Investor Relation of the Group. The Group welcomes the visit and interview of financial reporters and investment analysts from investment house as well as fund managers. The Group has also leveraged on technology by having a social media page to improve the disseminations of news as well as developments of the Group.</p> <p>The Group participated from time to time in investor and analyst briefings organised by Research Houses or Investment banks to improve the profile of the Group and attract fund managers to strengthen the shareholder profile of the Group.</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>   | : | Not applicable – Not a Large Company  |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | Not applicable to the Company as the Company is not under the category of Large Companies as defined in the Malaysian Code on Corporate Governance. |  |
|  |   |   |  |
| <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 13.1

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

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|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Company's 18<sup>th</sup> Annual General Meeting ("AGM") was held on 24 May 2021 and the Notice of 18<sup>th</sup> AGM along with accompanying Annual Report and Administrative Guide was issued on 23 April 2021. The documents were also made available at the Company's website at <a href="http://www.lsk.com.my">www.lsk.com.my</a>.</p> <p>The Company gave at least twenty-eight (28) days' notice to the shareholders before the meeting to ensure that shareholders are given sufficient time to consider the resolutions that will be discussed and decided at the 18<sup>th</sup> AGM.</p> <p>Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution to enable the shareholders to make an informed decision in exercising their voting rights.</p> <p>The Administrative Guide was intended to provide the shareholders with the detailed procedures of the AGM, their entitlement to attend the AGM, their right to appoint a proxy and information as to who may count as a proxy.</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.

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|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The 18th Annual General Meeting (“AGM”) of the Company was conducted entirely through live streaming from the Broadcast Venue and online remote voting using Remote Participation and Voting facilities.</p> <p>All the Directors attended the Company’s 18<sup>th</sup> AGM held on 24 May 2021. Mr Wong Yoke San, the Chairman of the meeting, together the Managing Director, were physically present at the Broadcast Venue of the 18th AGM whilst the remaining Directors, Company Secretary and external auditors participated in the AGM remotely as part of the safety measures in light of the COVID-19 outbreak.</p> <p>The shareholders were encouraged to actively participate in the 18th AGM by submitting their questions in real time via the Query Box. All questions raised by shareholders and proxies via email before the AGM and real time Query Box were attended to accordingly. Questions that could not be addressed during the Questions &amp; Answers session due to time constraint were posted 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 13.3

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>To curb the COVID-19 outbreak and as part of the safety measures, the Company conducted its 18th Annual General Meeting (“AGM”) entirely through live streaming from the Broadcast Venue and online remote voting using Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor &amp; Issuing House Services Sdn Bhd (“TIIH”), the Poll Administrator, via its TIIH Online website at <a href="https://tiih.online">https://tiih.online</a> on 24 May 2021.</p> <p>The 18th AGM was conducted in accordance with the Company’s Constitution, Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Section 327(2) of the Companies Act 2016 and in line with Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 6 May 2021.</p> <p>The 18th AGM was streamed on TIIH Online website for shareholders, proxies, and/ or corporate representatives to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely via live streaming at their location. Detailed procedures were provided to shareholders in the Administrative Guide.</p> <p>The shareholders, proxies, and/ or corporate representatives were notified of their successful registration for the 18th AGM via email after 22 May 2021 upon the verification of their identity against the Company’s Record of Depositors as at 17 May 2021. With the successful registration, the shareholders proxies, and/ or corporate representatives are granted the rights to participate remotely via TIIH Online.</p> <p>In regards to the cyber hygiene practices, TIIH had confirmed that it has implemented an Information Technology and Information Security policy, endpoint controls and data classification for cyber hygiene practices of the staff. Stress test and penetration testing had been performed on TIIH Online to test its resiliency. Tricor Malaysia is ISO27001 certified in October 2021 and the TIIH Online is hosted on a secure cloud platform and the data center is ISO27001 certified.</p> |

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| <b>Explanation for departure</b> :   |  |  |
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| <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.

|  |  |
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| <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>  | : Active participation from the shareholders in the Company's Annual General Meeting ("AGM") is greatly encouraged.<br><br>Shareholders, proxies and/or corporate representatives are allowed to submit questions for the Board in advance of the 18th AGM via Tricor's TIH Online website at <a href="https://tiah.online">https://tiah.online</a> no later than 10.00 a.m. of 22 May 2021.<br><br>Ample time and opportunity were made available for shareholders, proxies and/or corporate representatives to pose questions. The Managing Director addressed the questions received in advance of the 18th AGM and also real-time questions posed by the shareholders, proxies and/or corporate representatives via submission of typed texts in the query box during the Questions & Answers session.<br><br>The questions which were not answered at the 18th AGM were compiled and answered post-AGM. The compiled responses were published on the Company's website within a suitable period window after the conclusion of the AGM. |
| <b>Explanation for departure</b>   | :<br><br>  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>   |  |
| <b>Measure</b>   | :<br><br>  |
| <b>Timeframe</b>   | :<br><br>  |

### 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.

|  |   |
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| <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> :  | <p>The Company had engaged Tricor Investor &amp; Issuing House Services Sdn Bhd (“TIIH”), the Poll Administrator with Remote Participation and Voting (“RPV”) facilities to manage the virtual 18<sup>th</sup> Annual General Meeting (“AGM”) of the Company.</p> <p>The broadcast venue for the virtual 18th AGM was situated at TIIH’s office with strong internet bandwidth and information technology infrastructure to ensure that the meeting proceedings could be held smoothly without technical glitch. Dedicated Tricor Help Lines and email contact were published in the Administrative Guide for the 18th AGM to assist meeting participants on any issues logging-in, connection to the live stream meeting or online voting on the meeting day.</p> <p>For similar questions posed by shareholders, proxies and/or corporate representatives, the Managing Director had summarised and answered them collectively. The questions raised by the shareholders, proxies and/or corporate representatives were made visible to all participants during the 18th AGM.</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 13.6**

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

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|--|---|
| <i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>         |   |
| <b>Application</b>   | : Departure   |
| <b>Explanation on application of the practice</b>  | :   |
| <b>Explanation for departure</b>   | : The Minutes together with the Summary of Key Matters Discussed at the 18th Annual General Meeting (“AGM”) of the Company are available on the Company’s website at <a href="http://www.lsk.com.my">www.lsk.com.my</a> . |
|  | The Company will endeavour to circulate the AGM minutes to the shareholders by publishing the minutes and summary of key matter discussed on its website no later than 30 business days after the general meeting.        |
| <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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