

ZECON BERHAD

Registration No. 19850102015(134463-X)

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7028
COMPANY NAME : Zecon Berhad
FINANCIAL YEAR : 31 December 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 TO 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.

Application	:	Applied
Explanation on application of the practice	:	<p>In ensuring effective discharge of its responsibilities, the Board has formalised in writing a Board Charter and has also delegated specific responsibilities to Board Committees formed to assist the Board, namely the Audit Committee ("AC"), Remuneration & Nomination Committee ("RNC") and Risk Management Committee ("RMC"). The Board Charter and terms of reference of the Board Committees can be accessed at the following website: https://www.zecon.com.my</p> <p>The Company has also adopted a Code of Ethics which aims to reinforce ethical, prudent and professional behaviour by Directors. Similarly, the Company has also established a Code of Conduct and standards for conduct and discipline for employees of the Group.</p> <p>The Board recognises the key role it plays in charting the strategic direction of the Group. To achieve this, the Board carried out the following activities during the financial year under review and up to the date of this Corporate Governance Report:</p> <ul style="list-style-type: none">• conduct face-to-face pre-scheduled meetings to deliberate on Board matters, especially key matters reserved for the Board such as the Group's strategic direction, annual business plan, major capital expenditures, material acquisitions and divestitures exceeding Management authority limits, and review of the Group's corporate governance principles and policies;• review of quarterly and annual results of the Group prior to announcement to Bursa Malaysia Securities Berhad ("Bursa Securities"). During these meetings, the operational and financial performance of the Group, together with any material development and issues relating to the business of the Group, were discussed and, where applicable, responded to accordingly;• promotion of sustainable business practices covering economic, social and environmental aspects, which the Board believed would translate into better corporate performance and long-term value creation;• oversight of the performance of Management in ensuring the business was properly managed through specific Key Performance Indicators ("KPIs") for Executive Management which aligned Management's performance with the Group's strategies and objectives. KPI-based performance incentive scheme for Executive Directors and Management was also

	<p>deployed to ensure that the Group's business was conducted effectively towards meeting the strategic objectives of the Group;</p> <ul style="list-style-type: none"> • through the RMC, ensured appropriate risk management framework was in place for Management to identify, evaluate, manage, report and monitor business risks. The RMC reviewed and assessed the major risk exposures of the Group and significant risk matters were escalated to the Board for deliberation and decisions; • AC reviewed the effectiveness of the internal control system in safeguarding the Group's assets and shareholders' investment, including compliance with regulatory requirements and legislations. The internal audit findings were presented to the Board, via the AC, including corrective actions proposed by the internal audit function and Management's action plans; • the RNC ensured the Board has a good combination of members and the required mix of skills, experiences, diversity are adequate to run the Group efficiently and effectively. The effective Board helped in the growth of the Company. <p>During the period under review, the RNC reviewed the performance of 2 directors and key management personnel and recommended the renewal of their fixed term employment to the Board for approval. The Board had approved all 4 renewal of employment contracts based on the RNC's recommendations.</p> <ul style="list-style-type: none"> • communication with shareholders via the Annual General Meeting ("AGM"), where the Chairman invited and encouraged shareholders present to participate in the voting of resolutions being tabled. In addition, the Company has a corporate website to serve as a platform for investors and shareholders to stay abreast of the Group's development, including financial performance and other announcements made to Bursa Securities; • a Sustainability Committee has been set up on 25 February 2021 for the purpose of developing, implementing, reporting and monitoring the Group's sustainability policies, processes and strategies. This Committee assists the Board in enhancing its regulatory and statutory compliance and environment, social and governance (ESG) activities and responsibilities. • in ensuring the integrity of the Group's financial and non-financial reporting, the Board drew guidance from relevant standards and guidelines issued by Bursa Securities, such as: <ul style="list-style-type: none"> ○ Guidance on Disclosures in Notes to Quarterly Report via the Issuers Communication Notes; ○ Management Discussion and Analysis Disclosure Guide; ○ Sustainability Reporting Guide , and Toolkits; ○ Corporate Governance Guide 4th Edition: Rise Together ; and ○ Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.
<p>Explanation for departure</p>	<p>:</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is chaired by an Independent Director ("ID"), Datu Haji Hamzah bin Haji Drahman, who presides over the Board and General Meetings of the Company.</p> <p>The Chairman is responsible for the leadership of the Board, ensuring orderly conduct and full discharge of responsibilities by the Board. The Chairman maintains regular dialogue with the Group Managing Director ("GMD") and Deputy Managing Director ("DMD") and leads Board deliberation sessions, on matters pertaining to corporate strategy, key operational performance, sustainability, corporate governance, and others.</p> <p>In setting the agenda for Board meetings, the Chairman with the assistance of the GMD, DMD and Company Secretary ("CS"), ensures pertinent and relevant matters are included for discussion.</p> <p>The Chairman leads Board meetings and discussions and encourages participation and deliberation by all members of the Board to enable the Board to make informed decisions. This includes ensuring dissenting views, with supporting rationale, are freely expressed and considered. The Chairman ensures all Directors are properly briefed on issues arising at the Board meetings and ensure sufficient time is allotted for discussions on complex or contentious issues.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of the Chairman and the GMD are held by two different individuals, namely Datu Haji Hamzah bin Haji Drahman and Datuk Haji Zainal Abidin bin Haji Ahmad respectively. The positions helmed by two different individuals provide a clear distinction and separation of the two roles, maintaining a balance of power and authority to the Board's dynamics, and ensuring no one individual has unfettered decision-making powers. Furthermore, the Board Chairman is also an ID.</p> <p>The Group's Board Charter clearly delineates the roles of the Chairman and the GMD, where the Chairman focuses on ensuring the effectiveness of the Board in overseeing and providing stewardship to the Management with the latter on overseeing the Group's day-to-day management of the business. The roles of the Chairman and the GMD are distinctly provided in the Board Charter.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

Application	:	Applied
Explanation on application of the practice	:	<p>As at 31 December 2021, Zecon is in compliance with Practice 1.4 of the MCGG whereby the Chairman of the Board, Datu Haji Hamzah bin Haji Drahman is not a member of the AC or the RNC of Zecon.</p> <p>In compliance with the revised MCGG 2021, Datu Haji Hamzah bin Haji Drahman who was the member of the RNC and Chairman of the RMC during the year had relinquished his respective positions on 25 November 2021 and 26 November 2021 respectively.</p>

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Zecon Berhad is jointly supported by two CS, namely Ms. Koh Fee Lee (Shirley) and Ms. Voon Jan Moi (Vivian). Both the CS are members of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"), which satisfies the qualification as prescribed under Section 235 of the Companies Act, 2016.</p> <p>The appointment and removal of Company Secretary is a matter reserved for the Board as outlined in the Board Charter. The CS are responsible for advising the Board on its roles and responsibilities as well as other governance matters, including corporate disclosure matters, compliance with company and securities regulations, listing requirements, and other relevant law, rules and regulations.</p> <p>The CS organise and attend all Board and Board Committee meetings, including circulating meeting papers and materials in a timely manner. All pertinent issues discussed at the Board and Board Committee meetings in arriving at the decisions and conclusions are properly recorded as minutes of meeting by the CS, concurred by participating Directors and signed by the Chairman of the meeting. The CS also coordinates and manages processes pertaining to the AGM.</p> <p>It is also the responsibility of the CS to keep abreast of any development or updates on corporate governance practices and update the same to the Board. The CS attend relevant continuous professional development programmes, not limited to those mandated by the Companies Commission of Malaysia ("CCM"), and keep the Board updated on relevant developments, either in writing or briefing at the Board meeting. The CS also monitor and assist the Board in applying corporate governance practices, such as advising Directors on disclosure of interest in securities, disclosure of conflict of interest in the Company's transaction, and abstention in decision-making in conflict of interest situations.</p> <p>All Board members are entitled to unlimited and unrestricted access to the professional advice and services of the CS.</p> <p>The duties and responsibilities of the CS are outlined in the Board Charter, which is available on the Group's website http://www.zecon.com.my/about/board-charter/.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The CS facilitate the provision of information, for Board and Board Committee meetings and as may be requested by Directors from time-to-time.</p> <p>In advance of each upcoming financial year, the CS, in consultation with all Directors, prepare an annual meeting calendar for circulation to all Directors. The annual meeting calendar includes the scheduled dates for meetings of the Board, Board Committees and any identified agenda for the said meetings.</p> <p>In order to ensure all Directors are supplied with necessary information and sufficient time to consider matters to be deliberated at Board and Board Committee meetings, the CS circulate the meeting agenda, together with meeting materials (e.g. detailed reports and proposition papers), to all members of the Board and Board Committees at least four (4) business days in advance of the meeting as stipulated in the Board Charter. This practice aims to achieve effectiveness and efficiency at meetings by providing sufficient time for Directors to review the information provided, to make enquiries, and to seek additional information and clarification. Senior Management may also be invited to join the meetings of the Board or Board Committees to provide detailed explanations and clarifications on matters being deliberated.</p> <p>The CS are also responsible to ensure timely communication of Board-level decisions to Management not present at the Board or Board Committee meetings. The CS prepare the Board and certain Board Committee meeting minutes, properly recording issues deliberated and their results, including how conclusions are arrived at, any dissenting views with their accompanying rationale, and whether any Director abstained from voting and deliberating on a particular matter. The draft meeting minutes are then circulated to members of the Board and Board Committees within reasonable timeframe upon conclusion of the meeting to enable them to review, e.g. whether the meeting minutes accurately reflect the deliberations or otherwise, before the Chairmen of the respective meetings approve the meeting minutes.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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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Application	:	Applied
Explanation on application of the practice	:	<p>The Company has established a Board Charter, which acts as a source of reference and primary guide to the Board in delivering high standards of corporate governance. The Board Charter specifies the powers conferred to the Board, the Board Committees, the GMDs and the Company Secretary, stipulating clear accountability and responsibility and applying a balance of power and authority such that no one individual has unfettered powers of decision.</p> <p>The Board Charter provides for, amongst others, the following:</p> <ul style="list-style-type: none"> • Board structure, size, composition and diversity, and tenure; • provisions for independence, including tenure of IDs, ethics, and legal duties of directors; • Delegation of responsibilities to Board Committees; • Board processes including nomination and appointments, re-elections and re-appointments; • roles and responsibilities of the Board, Board Chairman, GMD, IDs, Senior ID and individual Directors; • key matters reserved for the Board; and • relationship with Management, shareholders and stakeholders. <p>The Board Charter is made available on the Group's website http://www.zecon.com.my/about/board-charter/ The Charter is kept under review and updated from time to time, as practices on Corporate Governance and regulatory requirements develop and further guidelines on Corporate Governance are issued by the relevant regulators. The Board Charter was last reviewed on 25 August 2018.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>In discharging its responsibilities, the Board is guided by the Code of Ethics for Directors which is drafted based on the principles of transparency, integrity, accountability and social responsibilities.</p> <p>The Director's Code of Ethics covers the following three aspects:</p> <ol style="list-style-type: none"> 1) Corporate Governance, which outlines amongst others, the time commitment, responsibility and conduct expected of the Director; 2) Relationship with shareholders, employees and customers; and 3) Social responsibilities and the environment. <p>The Code of Ethics for Directors stipulates the ethics, standards, and commitment expected of a Directors in carrying out its duties and responsibilities, as well as adherence to the spirit of, and compliance with, the laws and regulations. This includes managing conflict of interest situations, prohibition against abuse of power, exercising independent judgement, ensuring compliance with laws, rules and regulations, safeguarding the Company's assets, upholding integrity and never engaging in bribery or corrupt business practices, including the offering and acceptance of any form of gratification.</p> <p>The Code of Ethics for Directors is included in the Board Charter as published at the Company's website. Directors are required to observe high ethical business standards, honesty and integrity and, together with Senior Management, promote amongst employees a corporate culture which reinforces ethical, prudent and professional behaviour. The Employee Handbook provides guidance for employees in relation to ethical standards, covering amongst others, conflict of interest, abuse of power, and insider trading, in the Code of Conduct and Conduct and Discipline sections. The Code of Conduct and Conduct and Discipline are also provided on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>In upholding high standards of corporate governance, the Board encourages genuine concerns regarding the ethics of business practices and employee conduct to be raised without fear of retaliation.</p> <p>As such, the Board has developed a Whistleblowing Policy and mechanism to set out the underlying principles and processes for employees and stakeholders to raise concerns about illegal, unethical or questionable practices in confidence without fear of retaliation, including breaches of laws and regulations; bribery, fraudulent or corrupt practices; abuse or misuse of power and office, endangerment of individual's health and safety, etc.</p> <p>Such misconducts may be reported electronically or in writing to Mr. Richard Kiew Jiat Fong, the Independent Chairman of the AC, who is the person authorised to receive all reports raised by whistleblowers.</p> <p>The Board had on 22 May 2020 established the Anti-Bribery And Corruption Policy for implementation effective 01 June 2020 by the Group. The Group had put in place frameworks for anti-bribery systems, covering corruption risk assessment, management and control measures for preventing and detecting corruption. The Anti-Bribery And Corruption Policy can be accessed at the corporate website https://www.zecon.com.my</p> <p>Apart from setting out guidelines and confidential channels for suspicion of wrongdoings, malpractices or impropriety in the management of the Group's business to be raised, the Whistleblowing Policy also provides for the investigation process of any alleged wrongdoings, providing confidentiality to the whistleblower's identity and protection against coercion or retaliation. All investigations are required to be completed within three (3) months after receiving the whistle-blower's tip-off.</p> <p>The Whistleblowing Policy is available on the corporate website http://www.zecon.com.my/investor-relations/whistleblowing-policy/. The Board, together with Management, reviews the Whistleblowing Policy as and when the need arises to ensure it is kept contemporary.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The formation and Terms of Reference of Zecon Group Sustainability Committee were approved by the Board of Directors on 22 February 2021.• The Chairman of the Sustainability Committee is an independent non-executive director, reports to the Board of Directors, the findings and recommendations made by the Sustainability Committee.• The Sustainability Committee which also consists of another independent director and representatives from the management is responsible to develop, implement, review and recommend to the Board of Directors group level best practiced sustainability framework, established group sustainability policies, review adequate sustainability initiatives and processes.• Identifying and managing the material sustainability matters.• Monitoring and overseeing all Sustainability Strategies of the Group operations which are in line with the Group's business strategies.• Zecon's Sustainability is the centre of the Group's overall ESG (environmental, social and governance) performance and it is integrated into the Group's business strategies.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

Application	:	Applied Partially
Explanation on application of the practice	:	<p>Internally:</p> <ul style="list-style-type: none">• Sustainability Policy formed part of HR's orientation procedures. <p>Externally:</p> <ul style="list-style-type: none">• Sustainability Policy and reporting have been included in the Annual Report under the Group Managing Director's Management Discussion And Analysis.• Sustainability Policy Framework, Structure, Material Sustainability Matters and also the Sustainable Goals are disclosed separately in the Annual Report. <p>To Do:</p> <ul style="list-style-type: none">• Sustainability Policy And Reporting will be uploaded to Zecon Website upon the submission of this year's Annual Report to the BURSA.• Sustainability Sub-committee, the working group will disseminate Sustainability Policy, Sustainable Goals and initiates to all Zecon and Subsidiaries.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner of 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.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Board of Directors had been briefed by the Chairman of Zecon Group Sustainability Committee on the framework, policies, reports and updates in relation to Sustainability.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

Application	:	Departed
Explanation on application of the practice	:	<ul style="list-style-type: none">• There was no evaluation being conducted on the performance of the Sustainability Committee during the period under review• However, the Board of Directors will review the performance and targets in accordance with the Medium-Term Sustainable Goals setup by Sustainability Committee and approved by the Board of Directors, by the end of the financial year ending 31 December 2022.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

<i>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.</i>	
Application	: <ul style="list-style-type: none">• The Board of Directors had appointed the General Manager, Corporate of the Company as the designated person to oversee the Group's Sustainability and report to the Sustainability Committee.• The designated person is also the Secretary of the Sustainability Committee Who is responsible to devise the framework, policies, initiatives and procedures including identify the Material Sustainability Matters and establishment of Sustainability Working Committee.
Explanation on adoption of the practice	:

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.

Application	: Applied
Explanation on application of the practice	: <p>The Company's Constitution stipulated that at least one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM"). The retiring Directors can offer themselves for re-election. Directors who are appointed during the financial year shall hold office only until the next AGM and shall be eligible for re-election.</p> <p>Retiring Directors who are seeking re-election are subject to assessment and evaluation by the RNC. If thought fit, the RNC will give recommendation to the Board for endorsement on the re-election of the Directors and to put forward the re-election of Directors to the shareholders for approval at the AGM. A similar process also applies for Directors seeking re-appointment upon serving the Company for more than 9 years to continue office as an IDs.</p>
Explanation for departure	:

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>During the year, the Board consists of nine (9) Members, comprising three (3) Executive Directors, two (2) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors. This fulfils the Main Market Listing Requirement's ("the Listing Requirements") provision of Bursa Securities of at least one-third of Directors or two, whichever is higher, to be IDs. The Company had on 03 January 2022, appointed an additional Independent Director to the Board.</p> <p>The Board is supported by three (3) Board Committees, namely the AC, RNC and RMC, which assist and provide recommendations to the Board in the respective areas as delegated by clear Terms of Reference for each of the Board Committees. The AC comprises solely of Non-Executive Directors, majority of whom are IDs, whilst the RNC comprises two (2) IDs and a Non-Independent Non-Executive Director and the RMC comprises of an ID, a Non-Independent Non-Executive Director and the DMD. In carrying out their respective roles and responsibilities, the Board Committees delivers unbiased and objective deliberations and recommendations to the Board, providing a check and balance in the Board's decision-making process.</p> <p>The independence of each ID is also assessed by the RNC on an annual basis, upon readmission or when new interest or relationship develops through the IDs' self-declaration. The declaration includes compliance with the definition of independence defined in the Listing Requirements. All four (4) Independent Non-Executive Directors satisfy the independence criteria as set out in the Listing Requirements and are able to continue to demonstrate independent judgement and objectivity in the Board's decision-making process.</p> <p>The Board is chaired by an Independent Chairman who leads and provides objectivity to Board deliberations, including encouraging all Directors to play an active role in Board activities and allowing dissenting views to be freely expressed.</p> <p>Moreover, the Board has appointed a Senior ID whose role is to ensure all IDs have an opportunity and sufficient time to provide their input and discuss on agenda items. The Senior ID also serves as a principal conduit between the IDs and the Chairman on sensitive issues, including issues arising from "whistleblowing". In addition, the Senior ID is also a designated contact for consultation and direct communication with</p>

	<p>stakeholders, as well as shareholders, on areas that cannot be resolved through normal channels of contact with the Chairman or GMD.</p> <p>With the strong element of independence incorporated in the governance structure, i.e. Board Committees, independent chairmanship, and appointment of a Senior ID, the Board opines that its current composition and structure allows for objectivity and impartiality in its decision making.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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 justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure		<p>A resolution to extend the continuance of an ID beyond the cumulative 9-year tenure is normally submitted for Shareholders' approval at each AGM. In addition, the Board, through the RNC, assesses the independence of the relevant ID before proposing to the Board to retain the said Director as an ID.</p> <p>Having served a cumulative term of more than nine (9) years each, Dato' Abdul Majit bin Ahmad Khan and Mr. Richard Kiew Jiat Fong are being proposed to be retained as IDs at the forthcoming AGM. The Board is satisfied that Dato' Abdul Majit bin Ahmad Khan and Mr. Richard Kiew Jiat Fong are able to carry out their respective roles as IDs, considering amongst others:</p> <ul style="list-style-type: none"> (i) they fulfil the objective and subjective criteria defined for an ID in the Listing Requirements; (ii) they bring to the Board diverse experience, skills and expertise in carrying out their duties; (iii) they have no interest or ties in the Company that could interfere with the exercise of their independent judgement; (iv) they actively participate in Board deliberation in an objective and independent manner;

	:	<p>(v) they have devoted sufficient time and attention to their responsibilities as IDs; and</p> <p>(vi) they exercise due care and carry out their fiduciary duties in the interest of the Company and minority shareholders.</p> <p>Both Dato' Abdul Majit bin Ahmad Khan and Mr. Richard Kiew Jiat Fong have served a cumulative term of more than 12 years on 16 May 2019 and 01 June 2020 respectively. However, the Board will not be adopting the two-tier voting process in the coming AGM for the retention of Dato' Abdul Majit bin Ahmad Khan and Mr. Richard Kiew Jiat Fong as ID.</p> <p>The Board is of the view that there is only one class of ordinary shares in the Company and the rights of the shareholders, including the right to vote, shall rank pari passu. This is irrespective of whether a shareholder is a "Large Shareholder" (as defined in the MCGG) or a shareholder other than such a "Large Shareholder". A resolution which is passed by a majority of shareholders must be regarded as having been validly passed as a matter of law irrespective of whether a majority of both the "Large Shareholders" and other shareholders had voted in favour of such a resolution as required in the MCGG. The Board is of the view that adopting the 2-tier voting process as prescribed by the MCGG for IDs beyond the cumulative 12-year tenure would be incompatible with the Companies Act 2016.</p> <p>Accordingly, the Board will only seek shareholders' approval at the forthcoming AGM for the continuance of Dato' Abdul Majit bin Ahmad Khan and Mr. Richard Kiew Jiat Fong as ID via the usual single-tier voting. The Board opines that this process is sufficient for the exercising of shareholders' right on the approval for the retention of the ID whom have served beyond the 12 year.</p> <p>The Board shall ensure compliance with the revised MCGG 2021 and the Listing Requirements with regards to 12-year tenure limit for IDs by 01 June 2023.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The RNC is tasked to review the Board structure, size, balance and composition giving consideration to the diversity of skills, experience and core competencies that enables effective and efficient functioning of the Board and Board Committees. The RNC is responsible for considering, evaluating, recommending to the Board, and candidates for directorship.</p> <p>The RNC sources candidates for directorship, normally through recommendations of fellow Directors or major shareholders, and evaluates candidates based on their skills, experience, competencies, time commitment, character, credibility, and other factors that will best qualify a nominee to serve on the Board.</p> <p>The appointment of Senior Management is also based on merit and leadership skills, with due regard for diversity in skills, experience, age, cultural background and gender.</p> <p>The Board believes that diversity in the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities. A policy on board diversity is established and incorporated in the Board Charter. While promoting diversity, the Board will adopt a merit-based approach which gives priority to the financial, technical, experience, skill-sets and business imperative of the candidate or director. In addition, the Board will lookout for opportunities to appoint suitably qualified female Director(s).</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>In searching for suitably qualified candidates for the Group, high regard and emphasis are placed on the ability of the candidate, who shall have the relevant skills and knowledge. In practice, upon the need to seek for a candidate for appointment to Directorship, the RNC will source for candidates via recommendations from existing Board members, Management or major shareholder.</p> <p>Before being appointed as a Director, the Board, via the RNC, assesses each candidate regardless of the source of the recommendation, based on amongst others, the candidate's qualities, experience, skills and education.</p> <p>The Board is of the view that this process has been working well towards enhancing the effectiveness of the Board. Moreover, through the recommendation of familiar parties, the Board is to a certain extent assured of the integrity of the candidates for directorship.</p> <p>Going forward, the Board will, nonetheless, consider sourcing candidates from external sources such as from the Institute of Corporate Directors Malaysia as one of the avenues, as promulgated by the MCCG.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	The profiles of Directors are published in the Annual Report and on Bursa Malaysia's website. These include their age, gender, tenure of service, directorships in other companies, working experience and any conflict of interest as well as their shareholdings in the Company, if any.
Explanation for departure	:	
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Terms of Reference of RNC provides that the RNC Chairman should be the Senior ID ("SID") as identified by the Board.</p> <p>The current Chairman of the RNC is Dato' Abdul Majit bin Ahmad Khan, a SID, who was elected based on his exemplary leadership, experience with the Board and seniority amongst the Directors.</p> <p>Dato' Abdul Majit bin Ahmad Khan provides leadership to the RNC in the delivery of its responsibilities, which include, amongst others:</p> <ul style="list-style-type: none">• reviewing and ensuring the Board composition considers size, balance, mix of skills and experience, core competencies, diversity, and other qualities that facilitate the effective and efficient functioning of the Board;• ensuring appropriate framework and plans addressing succession planning at the Board level are in place;

	<ul style="list-style-type: none"> the annual assessment of the Board and the Directors, including IDs; and the establishment of formal and transparent Board remuneration policies and procedures; and recommending Director's remuneration packages based on relevant and appropriate criteria. <p>Furthermore, the SID's roles and responsibilities are outlined in the Board Charter and include the following:</p> <ul style="list-style-type: none"> ensuring all IDs have an opportunity to provide input on the agenda; advising the Board Chairman on the quantity, quality and timeliness of the information provided by Management; advising the Board Chairman on Board meeting schedules to ensure IDs can perform their duties and have sufficient time for discussion on all agenda items; being the principal conduit between the IDs and the Board Chairman on sensitive issues; and being a designated contact for consultation and direct communication with shareholders and other stakeholders on areas that cannot be resolved through the normal channels of contact with the Board Chairman or GMD.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

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.

Application	:	Departure
Explanation on application of the practice	:	<p>The Board is currently in the midst of sourcing for suitable woman candidate</p> <p>The Board shall ensure compliance with the revised MCCG 2021 and the Listing Requirements with regards to appointment of a woman director to the Board by 01 June 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a policy on board diversity in its Board Charter. The Board believes that diversity in the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities.</p> <p>The Board targets to appoint on board female director(s) in its effort to enhance board diversity whenever the opportunity arises.</p> <p>While promoting diversity, the Board will adopt a merit-based approach which gives priority to the financial, technical, experience, skill-sets and business imperative of the candidate or director. In evaluating candidates for directorship, the RNC applies the principle of meritocracy and does not discriminate against, amongst others, gender. The RNC is tasked to assist the Board in achieving board diversity, including gender diversity.</p> <p>The Board shall ensure compliance with the revised MCCG 2021 and the Listing Requirements with regards to appointment of a woman director to the Board by 01 June 2023.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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 independent experts periodically to facilitate objective and candid board evaluations.

Application :	Applied			
Explanation on application of the practice	The RNC facilitates and oversees the annual assessment of the Board, Board Committees, and individual Directors, including whether the IDs fulfil the independence criteria set out in the Listing Requirements. Details of the assessment are as follows:			
	Assessment	Performed by	Method	Assessment criteria
	Board and Board Committee performance	RNC and concurrence by the Board	Questionnaire with ratings and comments	<ul style="list-style-type: none"> • Board structure • Board roles and responsibilities • Independence and conflicts of interest among Directors • Quality and adequacy of information • Communication channel • Conduct of Boardroom activities
	Director's assessment	Assessment by RNC and self-assessment and concurrence by the Board	Questionnaire with ratings and comments	<ul style="list-style-type: none"> • Contribution during meetings • Time commitment • Quality of input • Effectiveness in the discharge of duties • Understanding of roles
	AC evaluation	RNC and concurrence by the Board	Questionnaire with ratings and comments	<ul style="list-style-type: none"> • Expertise • Quality, adequacy and timeliness of information • Adequacy of policies and procedures • Time commitment • Independence • Communication amongst the AC and to the Board • AC's roles and responsibilities
Through the assessment conducted, the RNC was satisfied that the Board, the Board Committees and their members, and the individual Directors have carried out their duties and responsibilities in accordance with the respective terms of reference.				

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

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.

Application :	Applied
Explanation on application of the practice :	<p>The Board recognises that in order to attract and retain the right talent to drive the Company's long-term objectives, it is important to have a fair and competitive remuneration package that commensurate with the Directors' and Senior Management's experience, skills, responsibilities, performance and contribution. In view of this, the Board has formalised a Remuneration Policy and Procedures for Directors and Senior Management ("Remuneration Policy") which outlines the guiding principles for determining the remuneration of Senior Management and Directors, including Executive and Non-Executive Directors.</p> <p>For the remuneration of Non-Executive Directors, considerations shall be given to the specific roles and responsibilities of individual Directors and the amount of time expected from Directors in discharging their responsibilities. For the remuneration of Executive Directors and Senior Management, considerations shall be given to their respective responsibilities, performance, and the Group's performance, amongst others.</p> <p>The RNC with guidance from the Remuneration Policy, recommends the remuneration packages of the Executive and Non-Executive Directors as well as Senior Management for the Board's approval. During these meetings, individual Directors abstain themselves from the discussion in respect of their remuneration.</p> <p>The revised Group's Remuneration Policy was approved by the Board on 25 August 2018 and is made available on the Group's website at https://www.zecon.com.my</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The function of a remuneration committee is incorporated in the RNC, whose roles and responsibilities include ensuring that remuneration policies and packages for Directors and Senior Management support the strategic aims of the Group's businesses and to enable the recruitment, motivation and retention of the right talents.</p> <p>To preserve objectivity and independence in the delivery of its roles and responsibilities, the Terms of Reference of the RNC provides that the RNC Chair shall be the SID and all RNC members must be non-executive with a majority being independent. Currently, the RNC is chaired by the Senior ID and comprises solely IDs. RNC is tasked to review and make recommendations to the Board with respect to the remuneration packages and benefits of individual Directors and Senior Management.</p> <p>It is the ultimate responsibility of the entire Board to approve the remuneration of the Executive Directors and Senior Management, and for the Board to recommend the Directors' fees and benefits to Shareholders for approval at the AGM.</p> <p>The Terms of Reference of the RNC are made available on the Group's website at https://www.zecon.com.my/</p>
Explanation for departure	:	

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

Measure	:	
Timeframe	:	

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.

Application	:	Applied						
Explanation on application of the practice	:	The remuneration received by each of the Directors, on a named basis, from the Group and the Company for the financial year under review is set out in the tables below:						
		Directors	Fees	Salaries	Bonuses	Other emoluments	Benefits in-kind	Total
		Group	RM					
		Non-Executive Director						
		Datu Haji Hamzah bin Haji Drahman	45,000	-	-	174,900	-	219,900
		Dato' Abdul Majit bin Ahmad Khan	21,600	-	-	75,900	-	97,500
		Richard Kiew Jiat Fong	21,600	-	-	87,900	-	109,500
		Datuk Haji Bolhassan bin Haji Di @ Ahmad bin Di	21,600	-	-	69,900	-	91,500
		Hui Kok Yuan	21,600	305,136	-	57,900	-	384,636
		Haji Sazali bin Md Salleh	21,600	-	-	69,900	-	91,500
		Executive Director*						
		Datuk Haji Zainal Abidin bin Haji Ahmad	21,600	2,088,720	-	92,700	-	2,203,020

	Zainurin bin Ahmad	21,600	863,856		92,700	-	978,156
	Haji Jamil bin Haji Jamaludin	21,600	632,260	-	2,700	-	656,560
	Company	RM					
	Non-Executive Director						
	Datu Haji Hamzah bin Haji Drahman	45,000	-	-	174,900	-	219,900
	Dato' Abdul Majit bin Ahmad Khan	21,600	-	-	75,900	-	97,500
	Richard Kiew Jiat Fong	21,600	-	-	87,900	-	109,500
	Datuk Haji Bolhassan bin Haji Di @ Ahmad bin Di	21,600	-	-	69,900	-	91,500
	Hui Kok Yuan	21,600	-	-	57,900	-	79,500
	Haji Sazali bin Md Salleh	21,600	-	-	69,900	-	91,500
	Executive Director						
	Datuk Haji Zainal Abidin bin Haji Ahmad	21,600	1,188,720	-	2,700	-	1,213,020
	Zainurin bin Ahmad	21,600	503,856	-	2,700	-	528,156
	Haji Jamil bin Haji Jamaludin	21,600	362,260	-	2,700	-	386,560
	<i>* The remuneration paid to the Executive Director were in respect of his employment with the Company/Group.</i>						
Explanation :							
for departure							
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
Measure :							
Timeframe :							

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management 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.

Application	:	Departure													
Explanation on application of the practice	:														
Explanation for departure	:	The Board is of the view that such disclosure may not be in the best interest of the Group due to confidentiality and security concerns, for example, vulnerability of these personnel being poached by competitors as well as potential disgruntlement amongst the personnel concerned when they note how much their fellow colleagues are drawing, notwithstanding that the disclosure is in bands of RM50,000 each.													
		As an alternative, the Board believes that disclosure of its top 4 Senior Management's compensation and benefits packages received from the Group for the financial year under review in the bands of RM50,000 on an unnamed basis would provide pertinent insights to shareholders on whether such personnel, being top 4 Senior Management of the Group, are being remunerated responsibly and fairly with a view of attracting, motivating and retaining talents. Accordingly, the remuneration of the top 4 Senior Management in bands of RM50,000 on an unnamed basis, is set out below:													
		<table border="1"> <thead> <tr> <th>Salaries, Bonuses, Defined Contribution Plan and Benefit-in-kind</th> <th>No. of Senior Management of the Group</th> </tr> </thead> <tbody> <tr> <td>Less than RM400,000</td> <td>1</td> </tr> <tr> <td>RM450,001 up to RM500,000</td> <td>1</td> </tr> <tr> <td>RM500,001 up to RM550,000</td> <td>1</td> </tr> <tr> <td>RM700,001 up to RM750,000</td> <td>1</td> </tr> <tr> <td></td> <td></td> </tr> </tbody> </table>	Salaries, Bonuses, Defined Contribution Plan and Benefit-in-kind	No. of Senior Management of the Group	Less than RM400,000	1	RM450,001 up to RM500,000	1	RM500,001 up to RM550,000	1	RM700,001 up to RM750,000	1			
Salaries, Bonuses, Defined Contribution Plan and Benefit-in-kind	No. of Senior Management of the Group														
Less than RM400,000	1														
RM450,001 up to RM500,000	1														
RM500,001 up to RM550,000	1														
RM700,001 up to RM750,000	1														
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>															
Measure	:														
Timeframe	:														

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	The AC is chaired by Mr. Richard Kiew Jiat Fong, who is a member of the Malaysian Institute of Accountants, and is not the Chairman of the Board. The Chairman of the Board, Datu Haji Hamzah bin Haji Drahman is not a member of the AC.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The AC does not have a formalised policy that requires a former key audit partner to observe a cooling-off period of at least three years before being appointed as a member of the AC.	
		Although this Practice does not form part of the AC's Terms of Reference, the Board has never appointed any former key audit partner as a member of its AC. Nonetheless, the Board will consider formalisation of such policy if the need arises in the future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>On an annual basis, the AC assesses the performance of the External Auditors encompassing areas such as adequacy of their technical expertise, experience, skills, independence and objectivity as well as their audit fees and quality of communication.</p> <p>The AC has also obtained assurance from the External Auditors, Messrs. Crowe Malaysia PLT, that they have remained independent throughout the engagement as External Auditors of the Company in accordance with the relevant professional and regulatory requirements in respect of the audited financial statements of the Group and Company for the financial year 2021.</p> <p>The AC was satisfied with the suitability, objectivity and independence of the External Auditors and recommended the re-appointment of Messrs. Crowe Malaysia PLT as the External Auditors of the Company for the financial year 2022.</p> <p>The Board had endorsed the AC's recommendation for shareholders' approval to be sought for the re-appointment of Messrs. Crowe Malaysia PLT at the forthcoming AGM in 2021.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Not adopted
Explanation on adoption of the practice	:	

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 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman, Mr. Richard Kiew Jiat Fong, is a member of the Malaysian Institute of Accountants and fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants, United Kingdom, The Institute of Singapore Chartered Accountants and The Chartered Tax Institute of Malaysia. Accordingly, the Company complies with Paragraph 15.09(1)(c)(i) of the Listing Requirements.</p> <p>The AC also possesses skills and experience in engineering, public works, restructuring, commercial sectors and financial credit evaluation which are crucial to the effective discharge of AC's duties such as evaluation of the internal control and risk management systems and financial reporting process.</p> <p>The members of the AC are financially literate and are able to understand and grasp issues brought to their attention, including the financial reporting standards and processes.</p> <p>The AC members are aware of the need to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain active participation during deliberations.</p> <p>From time to time, whenever there are developments in financial reporting standards and requirements, the AC members are kept updated via the platform of their professional bodies, by the External Auditors, or the Head of Corporate Finance & Accounts. For example, the members of the AC were briefed on the relevant changes to the financial reporting standards by the External Auditors at the AC meeting held during the financial year.</p> <p>The AC and its members are evaluated annually by the RNC, the criteria of which include structure, size, balance and composition of the AC, the required mix of skills and experience to discharge their responsibilities effectively and efficiently, the terms of office and performance of the AC and each of its members, to determine whether the AC and its members have carried out their duties in accordance with their terms of reference.</p> <p>The RNC has evaluated the performance and effectiveness of the AC, including contribution by each individual member. The RNC collectively resolved that the AC has discharged its responsibilities and functions as required and its members are financially literate with good experiences.</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges that it is ultimately responsible for the adequacy and effectiveness of the Group's system of risk management and internal controls to safeguard stakeholders' interests and the Group's assets. This is vital to ensure that the achievement of the overall Group objectives is supported by a robust risk management and internal control system where losses and liabilities arising from risks, uncertainty and random events are minimised, protected against, and even avoided if deemed necessary. However, such a system is designed to manage the Group's key risks to an acceptable level, rather than to eliminate the risks. Accordingly, due to inherent limitations in any system, the system of risk management and internal control can only provide reasonable but not absolute assurance against material misstatement of financial information and records or against financial losses or fraud.</p> <p>The Board, with the assistance of the RMC, has established an ongoing process to identify, analyse, evaluate, manage, monitor and report key risks faced by the Group and has put in place a structured risk management framework.</p> <p>The system of internal control is continually reviewed and assessed by the Internal Audit Division, which was established as an in-house function of the Company. The Internal Audit Division reports directly to the AC and provides reasonable assurance through its internal audit works, which include the audit activities, presenting findings and recommendations, and follow-up on action plans devised to address any weaknesses in the internal control system, as agreed by Management. In carrying out its activities, the internal audit function has unrestricted access to relevant records, personnel and physical properties.</p> <p>Further details of the Group's Risk Management and Internal Control Frameworks can be found in the Statement of Risk Management and Internal Controls in the 2021 Annual Report.</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the immense importance of, and acknowledges its responsibility in, maintaining a sound and robust risk management and internal control system to safeguard shareholders' investments and the Group's assets. The Board, with the assistance of the RMC and AC ensures that a sound risk management and internal control system is in place.</p> <p>The Risk Management Framework outlines the Group's risk management process which includes the identification and evaluation of risks, development of gross risks, and identification of controls in place, evaluation of residual risks and formulation of management action plan. The Risk Management Framework also includes the setting of risk appetite through a Risk Assessment Matrix which quantifies the likelihood and impact of risks.</p> <p>The Group's internal control system operates alongside the Group's risk management processes, with key processes including:</p> <ul style="list-style-type: none"> • financial policies and procedures manual; • regular financial reporting; • operational risk management; • management of Material Sustainability Matters; • Integrated Management Systems ("IMS") certification; • procedures dealing with related party transactions; • internal review and audit; and • assurance processes. <p>For the financial year, reviews and audits have been conducted to review and test the Company's internal control and risk management framework, including financial audits, internal audits and ISO certification audits. Further details on the features and adequacy and effectiveness of the Company's risk management and internal control systems are provided in the Statement on Risk Management and Internal Control in the 2019 Annual Report.</p>

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

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 103 - 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.

Application :	Adopted
Explanation on adoption of the practice :	<p>The Board has established a RMC consisting of four (4) members, comprising two (2) IDs, one (1) Non-Independent Non-Executive Director and an Executive Director.</p> <p>With its composition made up of majority IDs, the RMC is well-positioned to oversee the risk management process, including having more objective deliberation of Group’s exposure to significant risks and risk management initiatives from fresh perspectives.</p>

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established an in-house Internal Audit (“IA”) Division for the Group which reports directly to the AC. The AC, which brings objectivity and independence to Board governance, holds the power to determine the appointment and removal of personnel, performance evaluation, budget, and scope of work of the IA Division. The AC ensures that the IA Division has the relevant experience, resources, and authority to perform audit activities to deliver its responsibilities.</p> <p>The IA Division is guided by an Internal Audit Manual (“IA Manual”) adopted to provide guiding principles and standards for the IA Division.</p> <p>The primary role of the Internal Audit Division, based on the IA Manual, is to provide independent, objective assurance and consulting services designed to improve and add value to the Group’s operations. A key responsibility of the IA function is to conduct periodic reviews and appraisals of the effectiveness of the governance, risk management and internal control system of the Group. The IA function and its activities are guided by the International Professional Practices Framework promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors.</p> <p>Guided by the IA Manual, the IA Division is independent of the activities it audits to ensure it forms impartial views and unbiased judgements in its recommendations to the AC. As such, the IA Division, including all of its staff, is not involved in performing the day-to-day managerial operations of the Group.</p> <p>To ensure that the responsibilities of IA are properly discharged, the AC reviews the IA plan, programmes, and processes, results of internal audit assessments, investigations undertaken and whether appropriate actions have been taken on IA’s recommendations.</p> <p>For the financial year under review, internal auditing activities of the Group were carried out based on the IA plan as approved by the AC. The results of these internal audit activities, including findings and action plans where necessary, were documented and reported to the AC.</p> <p>Further details on the function and activities undertaken by the Internal Audit Division are provided in the AC Report and Statement on Risk Management and Internal Control set out in the 2021 Annual Report.</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The IA Manual specifies that the IA function shall be independent of the activities it audits to ensure that it forms impartial views and unbiased judgements in its recommendations to the AC. As such, the IA function, including all of its staff, is not involved in performing the day-to-day managerial operations of the Group. To ensure its independence, the IA Division reports directly to the AC.</p> <p>The AC has, through the AC Report, disclosed that it has reviewed the adequacy of the scope, functions, competency and resources of the internal audit function to meet the requirement of the Group's current operations structure and size.</p> <p>The IA function has two (2) personnel, headed by a General Manager, Mr. Rayan Narong, who is a Member of the Malaysian Institute of Accountants ("MIA") and the Institute of Internal Auditors Malaysia ("IIAM").</p> <p>All internal audit works are guided by the International Professional Practices Framework promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>As part of the Group's commitment towards ensuring that its communication with shareholders and various stakeholders is transparent, timely and of quality, the Group actively engages with all its stakeholders through various platforms, including via its corporate website at https://www.zecon.com.my/</p> <p>The Group has a dedicated "Investors Relations" section on its corporate website, which provides the relevant information of the Group, including disclosure of material information, quarterly financial reports, and annual report and Bursa Securities announcements. Any enquiries on investor-related matters may be directed via the corporate website at https://www.zecon.com.my/contact/</p> <p>The annual report of the Company is also another main channel of communication between the Company and its shareholders as well as stakeholders. The annual report communicates comprehensive information on the financial results and activities undertaken by the Group.</p> <p>The Board also recognises the importance of shareholders' participation in general meetings and encourages such participation. The AGM of the Company provides the principal forum for dialogue and interaction between the Board and the shareholders. The participation of shareholders, both individuals and institutions at general meetings on clarifications of pertinent and relevant information is encouraged.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Group, which is not a Large Company under the definition of Paragraph 2.6 of the MCCG, has yet to adopt integrated reporting.
		To enable stakeholders to make informed decisions, the Group has disclosed in its Annual Report 2020 various statements in accordance with the requirements under the Listing Requirements of Bursa Securities. These include the Management Discussion and Analysis incorporating the Sustainability Statement, Corporate Governance Overview Statement, AC Report and Statement on Risk Management and Internal Control.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	The Company's 2020 AGM was held on 03 December 2020 and the notice for the AGM was issued on 30 October 2020, 34 days prior to the date of the AGM, in advance of the 21-day requirement of the Companies Act 2016 and the Listing Requirements, and 28 days recommended by the MCCG. The additional time given to the shareholders would allow them to have sufficient time to scrutinise the Annual Report and to consider the proposed resolutions tabled at the AGM. It also allowed the Shareholders to make the necessary arrangements to attend and participate in the AGM, either in person or through proxies.

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>During the last AGM conducted on 03 December 2020, all Directors attended and were present to respond to any questions addressed to them.</p> <p>That said, the Board Chairman who has been well-informed on Board and Board Committees matters was present at the AGM to address questions pertaining to the Board and Board Committees. The Board Chairman was also supported by the chairman or representative of each Board Committee.</p> <p>During the questions and answers (“Q&A”) session of the AGM, the Chairman of the Board invited shareholders to raise questions on matters deliberated before putting the resolution to vote. The Directors, including the GMD, DMD, and Vice President of Corporate Finance & Account, Management and External Auditors were present to respond to shareholders’ queries. The Board and Management also presented the Group’s response to any written queries raised by the shareholders and Minority Shareholder Watchdog Group at the AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Group has a relatively small base of shareholders. The last AGM on 03 December 2020 was held in Kuching, the capital city of Sarawak, which is largely accessible by the Group's shareholder base. As such, the Board has not applied the process of voting in absentia.</p> <p>Nevertheless, the Board will consider the feasibility of leveraging on technology to facilitate voting in absentia and remote shareholders' participation at the Group's General Meeting, considering amongst others, the cost-benefit of such facilities, security concerns, etc.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>During the last AGM conducted on 03 December 2020, all Directors and Senior Management attended and were present to respond to any questions addressed to them.</p> <p>During the questions and answers ("Q&A") session of the AGM, the Chairman of the Board invited shareholders to raise questions on matters deliberated before putting the resolution to vote. The Directors, including the GMD, DMD, and Vice President of Corporate</p>

	Finance & Account, Management and External Auditors were present to respond to shareholders' queries.	
Explanation for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	The Company has a relatively small base of shareholders. As such, the Board has no intention to hold any virtual general meeting for the time being.
Explanation for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	The Minutes of the 35 th AGM of the Company and outcome of the voting results are made available to the shareholders at the Company's website at https://www.zecon.com.my

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

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.