

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7235
COMPANY NAME : Superlon Holdings Berhad
FINANCIAL YEAR : April 30, 2020

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 PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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| Application : | Applied |
| Explanation on application of the practice : | <p>The Board sets the strategic direction of the Group, establishes the mission and visions for the management and continuously monitors its performance so as to protect and enhance shareholders' value. The Board is responsible for the preparation of the Company's and Group's financial statements in accordance with the provisions of the Companies Act 2016 ("Act") and the applicable approved accounting standards in Malaysia, overall strategic planning, risk management, system of internal controls, succession planning, investor relations programme, sustainability as well as the corporate governance within the Group.</p> <p>The Board is committed to practising good corporate governance to steer the Superlon Group towards enhancing business value and long term value for its stakeholders as the underlying principle in discharging its responsibilities.</p> <p>The Board delegates some of its authorities and discretion to the Managing Director cum CEO, Executive Directors and management as well as the Board Committees.</p> <p>To assist the Board in fulfilling its roles, the board has three (3) committees, namely Audit Committee, Nomination Committee and Remuneration Committee, to support and assist in discharging its fiduciary duties and responsibilities. The respective functions and terms of reference and authority of the board committees have been defined by the Board. The committees report and make recommendations to the Board on matters delegated to them for deliberation. The ultimate responsibility for the final decisions on all matters lies with the Board.</p> <p>As and when necessary, the Board conducts a review of the delegation of responsibilities for the Company to adapt dynamically</p> |

to the changing circumstances.

The Board assumes the following responsibilities, amongst others:-

(a) Reviewing and adopting the Company's strategic plans

The Board has in place a strategy planning process, wherein financials and strategies are presented for discussion quarterly and the Management reports on the results and challenges met. The Board objectively reviews and monitors the implementation of the plan by management and provides input and feedback to the management. Budgets are prepared periodically for the Board to assess the anticipation and to head towards the best outcome.

(b) Overseeing the conduct of the Company's business

The Board oversees the performance of the Management by reviewing the actual performance and financial ratios of the Group, and provides guidance to the Management on measures to be undertaken to improve business performance and minimise risk areas.

(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The Audit Committee, external auditors and internal auditors assist the Board to oversee the risk management and internal control framework of the Group. High risk areas are highlighted and the adequacy of compliance and internal controls throughout the organisation are reported to the Audit Committee and the Board.

(d) Succession planning

The Nomination Committee review potential candidates for the Board. The organisation chart is periodically reviewed to ensure that candidates of sufficient calibre are in place to manage the business and that there is orderly succession of senior management.

(e) Overseeing the development and implementation of a shareholder communication policy for the Company

The Board acknowledges the importance of timely dissemination of information to its shareholders. Announcements on the major events of the Company and financial releases provide the shareholders and potential investors with update of the Group's activities and financial performances. The General Meetings act as the principal forum of dialogue with shareholders. Shareholders are notified of the

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| | <p>meeting and provided with a copy of the Company’s Annual Report and/or Circular to Shareholder prior thereto in accordance with the stipulated period set out in Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Bhd (“Bursa Securities”) and the Act in order to enable shareholders to fully evaluation the resolutions being proposed. At each AGM, the Board presents the Group’s results and shareholders are given the opportunities to raise questions pertaining to the Group, the resolutions being proposed and the business of Superlon in general. Members of the Board and the auditors of the Company are available at the AGM to respond to all queries and to provide clarification on issues and concerns raised by the shareholders. The Company has a website where access to its Annual Reports, announcements, quarterly financial results and other relevant information.</p> <p>Mr Lin, Po-Chih, an Independent Director, together with Mr Liu Han-Chao, the Executive Director, represent Superlon to whom concerns of the shareholders and other stakeholders may be conveyed.</p> <p><i>(f) Reviewing the adequacy and the integrity of the management information and internal controls system of the Company</i></p> <p>The Board outsourced the internal audit functions to an external party to ensure the adequacy and integrity of the Company’s internal control functions. Further details of the internal control systems are set out in the Statement on Risk Management and Internal Control.</p> <p>A Board Charter is established to outline the Board’s duties and responsibilities and state Superlon’s commitment to corporate governance and aims to ensure that appropriate accountability and control systems are in place. The Board Charter, which will be reviewed by the Board as and when required, is published on the corporate website.</p> |
| <p>Explanation for departure :</p> | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | |
| <p>Measure :</p> | |
| <p>Timeframe :</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 1.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | Mr Chun Kwong Pong leads the Board as the Chairman of the Company. His profile can be found in the Company's Annual Report. As depicted in the Board Charter, the Chairman is mainly responsible for:- <ul style="list-style-type: none">(a) the overseeing and leadership of the board in the effective discharge of its supervisory role of the Superlon Group;(b) the efficient organization and conduct of the Board's functions and meetings;(c) briefing the Directors in relation to issues arising at meetings; and(d) promotion of constructive and respectful relations between board members (within the board and with the management) and facilitate the effective contribution of all Directors. |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The positions of Chairman and Managing Director/CEO of Superlon are held by different individuals. Mr Chun Kwong Pong is the Chairman whilst Madam Liu Lee, Hsiu-Lin @ Jessica H. Liu is the Managing Director cum Chief Executive Officer.</p> <p>There is a clear distinction of roles and responsibilities between the Chairman and the Managing Director, which are outlined in the Board Charter. The Chairman of the Board is non-executive. The Chairman is primarily responsible for Board effectiveness and conduct whilst the Managing Director is responsible for the day-to-day business affairs overseeing the operating units, organisational effectiveness and implementation of Board policies and decisions.</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 board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is supported by two Company Secretaries who are qualified to hold the positions under Section 235 (2) of the Act.</p> <p>Ms Ng Mei Wan (MIA 28862) is a Chartered Accountant registered with the Malaysian Institute of Accountants and Ms R. Malathi A/P Rajagopal (MAICSA 7054884) is a Chartered Secretary registered with the Malaysian Institute of Chartered Secretaries and Administrators.</p> <p>The Company Secretaries attend and ensure that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory registers of the Company. The Board relies on the Company Secretaries for advice on its roles and responsibilities, corporate disclosures, compliance on and updates on new regulations issued by the regulatory authorities, particularly on:</p> <ul style="list-style-type: none">(a) the Act;(b) the LR;(c) Malaysian Code of Corporate Governance. |
| 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 1.5

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>In furtherance of their duties, all Directors have complete and unrestricted access to information pertaining to the Group. The Directors are given an agenda with the relevant information to be deliberated on five business days prior to the Board meetings. Minutes for every Board meeting are circulated to all Directors for their perusal prior to confirmation and adoption at the following Board meeting. Upon confirmation of the minutes, the Chairman will sign the minutes as a correct record of the proceedings of the meeting. Matters arising from meeting discussions are highlighted until they are resolved.</p> <p>The Chairman leads the presentation of Board papers and discussion. Relevant Executive Directors will explain and discuss pertinent issues. All Directors are entitled to call for additional clarification and information to assist them in matters that require their decision-making. Time is also allocated at each meeting for Directors to raise matters not covered by the formal agenda.</p> <p>All Directors have unrestricted access to the advice of the company secretaries and external auditors whether as a full board or in their individual capacity, in the furtherance of their duties.</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>A Board Charter is established to state the roles and responsibilities of the Board, the committees and Superlon's commitment to corporate governance and aims to ensure that appropriate accountability and control systems are in place. The Board Charter sets out the governance structure, authority and terms of reference of the Board and its committees and the management (comprising the Managing Director and Executive Directors). The Board Charter is published on the corporate website and review is done from time to time as and when required. The Board Charter assists the Board in the assessment of its own performance and that of its individual directors. It also contains matters which the Board reserves full decision-making powers on.</p> <p>The roles and responsibilities of the management are determined by the Executive Directors and the section on Directors' training and continuing education are available on the Annual Report of the Company, which is accessible through our corporate 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 | : | |
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Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Code of Conduct is set by the Company to provide employees of Superlon with guidance on the standards of behaviour expected of them in performing their duties of employment and in their dealings with fellow employees, clients, suppliers and member of the community.</p> <p>The main areas of conduct under the Code are as follows:-</p> <ol style="list-style-type: none">1) Anti-corruption and bribery2) Confidentiality of information3) Conflict of interest4) Duty of care5) Ethics and honesty6) Harassment and discrimination7) Health and safety8) Quality products9) Feedback Channel <p>During FYE2020, the Company formulated the Anti-Bribery and Corruption ("ABC") Policy as testimony to its commitment to conduct business in an honest and ethical manner. The ABC Policy applies to all employees and any potential/existing business associates engaged in activities with the Group. The Company has an Integrity Team to attend to the anti-bribery and corruption compliance matters, in furtherance of the corporate liability provision of the Malaysian Anti-Corruption Commission Act.</p> <p>The Code of Conduct and the ABC Policy can be found on the corporate website.</p> |
| Explanation for departure | : | |

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

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

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| Application | : | Applied |
| Explanation on application of the practice | : | A Feedback Channel guidance is detailed in the Company's Code of Conduct and Whistleblowing Policy and Procedure. The Feedback Channel is intended to be used for employees to voice out serious and sensitive concerns, including those relating to financial reporting, unethical or illegal conduct. The letter or e-mail are to be directed to the Chairman of the Board and/or Chairman of the Audit Committee, who are both non-executive. |
| 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 4.1

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

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>Currently, 3 out of 8 directors on our Board are Independent Directors.</p> <p>The Board has decided that there is a good balance of members who are executive, non-executive and independent directors such that no one individual or a small group of individuals can dominate the Board's decision-making process. Material audit, risk management, remuneration and nomination matters are tabled for the approval of pertinent Board Committees comprising all or majority of Independent Directors, which act as the first tier to consider those matters prior to making recommendation for Board's approval.</p> <p>The Independent Directors comply the independence standards prescribed under the Listing Requirements of Bursa Securities.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | The Board will regularly review its Board composition and if viewed to be beneficial to the Group, the Nomination Committee will assess suitable candidates to be appointed as Independent Directors of the Company. |
| Timeframe | : | Ongoing |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board assesses the Independent Directors based on the following justifications:-</p> <ol style="list-style-type: none">1) He/she has fulfilled the criteria under the definition of an Independent Director as stated in the LR, and thus, the person would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board;2) During his/her tenure in office, the person has not developed, established or maintained any significant relationship which would impair the person's independence as Independent Director with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of him/her to carry out his/her duties as Independent Non-Executive Director and chairman of the Board and Audit Committee;3) During his/her tenure in office, the person has not transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the LR;4) The person is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiaries;5) Other than Director's fees and allowances paid in accordance with the industry norm and within the acceptable market rates which have been duly disclosed in the Annual Report, there are no other incentives or benefits of whatsoever nature that had been paid to him/her by the Company during his/her tenure in office as Independent Non-Executive Director in the Company; and6) The person's qualifications and vast experience in respective fields are invaluable to the Group. He/she has detailed knowledge of the Group and has proven commitment and competency to effectively oversee and advise the Board. |

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| | <p>The Nomination Committee had assessed the independence of all Independent Non-Executive Directors during FY 2020. The Nomination Committee and the Board are of the view that the Independent Directors have been discharging their responsibilities independently of management and major shareholders.</p> <p>Currently, none of the Independent Directors have served the Board beyond 9 years. For the time being, the Board does not limit the tenure of Independent Directors.</p> <p>In the event any Independent Directors are proposed by the Board to be retained after 9 years, the Board shall seek the shareholders' approval with justification to be provided.</p> | |
| <p>Explanation for departure</p> | <p>:</p> | |
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| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | <p>:</p> | |
| <p>Timeframe</p> | <p>:</p> | |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | The Board values the contribution by the Directors based on their experience and knowledge. Other factors such as independence, qualification, due care exercised, attributes, necessary in discharging their roles, understanding of the Company's business, diversity in knowledge and views are prioritised by the Board ahead of the tenure. |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>In view that Superlon consists of a lean management team and the principal activities are in a specialised industry, no pre-fixed criteria for recruitment is viewed necessary to be established. This creates flexibility for the Nomination Committee to seek different candidates who would have the skill matrix to support the long term strategic direction and needs of the Company. The Nomination Committee evaluates the qualification and experience of the candidates vis-a-vis the Company's requirements and where appropriate recommends to the Board for appointment. Due consideration is given to the Board mix, the experience, expertise and personal qualities of the candidates as well as the gender diversity policy. The Company practices equal employment opportunity, where there is no discrimination when it comes to employing suitable candidates to join the company.</p> <p>All new Director(s) duly appointed by the Board are subsequently recommended for re-election at the next AGM. All new Directors attend the mandatory programme by Bursa Securities to familiarise themselves with the additional requirements for a listed company. The Company's Constitution provides that 1/3 of the Board is subject to retirement by rotation at each AGM and each Director shall retire once at least in every three years but shall be eligible for re-election.</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 4.5

The board discloses in its annual report the company’s policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The gender diversity policy of the Company and its implementation are disclosed in the Annual Report 2019.</p> <p>The Board is supportive of gender diversity within the Group. Currently, the Company’s Managing Director and one of the Independent Directors are female which amounts to 25% female representation in Board. In addition, female participation of more than 50% is evidenced in the office workforce. The Nomination Committee will advocate the Company’s policy of identifying and recruiting the best qualified candidates including women candidates via equal opportunities to serve on its Board and key management in the event of recruitment.</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

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

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.

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Nomination Committee evaluates the nominations by the members of the Board, management and various other sources. The Committee also make recommendations to the Board on new candidates for appointment and re-election to the Board.</p> <p>The Board has in the past found suitable candidates for Executive Directorships from within the company.</p> <p>The Board currently does not utilise open advertisements and independent search firms in nominating candidates for directorships but will do so if necessary.</p> <p>However, in the event candidates sourced within internal contacts are unsuccessful, the Board is open to seek independent sources to identify new candidates.</p> <p>Notwithstanding the sources, the selection and assessment criteria for the appointment of new directors are based on the candidates' skills, qualifications, background, integrity and professionalism. In addition, the assessment for Independent Directors would include the independence test required under the Listing Requirements of Bursa Securities.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | The Company shall opt to utilise the independent sources to identify suitably qualified candidates when its existing internal network is exhausted. |
| Timeframe | : | Ongoing |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Nomination Committee is chaired by Mr Lin, Po-Chih, who is an Independent Non-Executive Director of the company. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

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 and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Assessment and recommendation to the Board of new candidates for the appointment as directors is to be made by the Nomination Committee. The newly appointed directors will retire at the first AGM and are eligible for reappointment.</p> <p>The Company's Constitution provides that all Directors are to retire by rotation at intervals of not less than three years at each AGM. The directors to retire in each year are the directors who have been longest in office since their appointment or re-appointment. A retiring director is eligible for re-appointment.</p> <p>The Nomination Committee has reviewed the performance of the Board and Board Committees based on performance evaluations conducted by the Board collectively during the financial year and was of the view that the Board and Board Committees have discharged their responsibilities effectively. The various areas assessed include board structure, board operation, management relationship, board roles and responsibilities, board committees and corporate governance. The Nomination Committee had also discussed and recommended the changes in Board composition, the appointment of new Independent Directors, retiring Directors eligible for re-election, continuing independence of Independent Directors and continuing education programmes was undertaken.</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 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 6.1

The board has in place 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 policies and procedures are periodically reviewed and made available on the company's website.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The remuneration of the Executive Directors is recommended to the Board by the Remuneration Committee so as to attract, retain, motivate and incentivise Directors of the necessary calibre needed to lead the Superlon Group successfully.</p> <p>For Executive Directors, the component parts of the remuneration are structured so as to incentivise the individual according to the performance of the Group. The Remuneration Committee is to recommend to the Board the framework and remuneration package for each Executive Director. The Remuneration Committee meets periodically to consider all aspects of the Executive Directors' performance for recommendation of remuneration, drawing external advice when necessary.</p> <p>In the case of Non-Executive Directors, the level of remuneration is based on their level of responsibilities. The determination of remuneration packages of Non-Executive Directors, including the Non-Executive Chairman, is decided by the Board as a whole. The fees for the Non-Executive Directors are not linked to the financial results of the Company. Non-Executive Directors are not entitled to any performance bonus nor any incentive arrangements.</p> <p>The Director's fees and allowances are subject to the prior approval of the shareholders at the AGM.</p> <p>The policies and procedures to determine the remuneration are detailed in the Terms of Reference of the Remuneration Committee available on the corporate website.</p> |
| Explanation for departure | : | |

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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
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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 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The objective of the remuneration policies is to attract and retain suitable directors to lead and control the Group effectively. Generally, the remuneration of directors reflects the level of responsibility and commitment that goes with the Board's membership.</p> <p>The Remuneration Committee consists only of non-executive directors, of whom a majority are Independent Directors.</p> <p>The Terms of Reference of the Remuneration Committee is detailed on the corporate 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

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 7.1

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.

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|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | The breakdown of the remuneration of each individual Director of the Company for the financial year under review is provided in the Corporate Governance Overview Statement of the Annual Report. |
| 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 is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

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 | : | <p>The aggregate remuneration of the top five senior management of the Group is not disclosed on the Company's Annual Report taking into consideration the highly competitive industry in which the Group is operating and challenges faced in talent management and retention.</p> <p>For purposes of shareholders' analysis, the total salaries in the Group analysed by category is disclosed in the Annual Audited Accounts.</p> <p>The disclosure of the employees' salaries of the Group in the audited accounts allows stakeholders to make an appreciable link between the remuneration and the performance of the Group. The Board believes that the disclosure contained in the Annual Audited Accounts would be sufficient to provide pertinent insights to shareholders on the remuneration of the senior management.</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

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 7.3 - 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 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman of the Board and the Chairman of the Audit Committee are different individuals. Both are non-executive and the Chairman of the Audit Committee is independent. The Chairman of the Board is Mr Chun Kwong Pong while the Chairman of the Audit Committee is Ms Chee Chung Yen. | |
| 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 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | Practice 8.2 has been incorporated into the Terms of Reference of Audit Committee. Todate, no former key audit partner has been appointed as a member of the Audit Committee. | |
| 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 8.3

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>The Audit Committee has unrestricted access to any information pertaining to the Company and has direct communication channels with the external and internal auditors, when applicable and to the senior management of the Group.</p> <p>The Audit Committee also has direct oversight of the audit of the Group and annually assesses the suitability, objectivity and independence of the external auditors and internal auditors.</p> <p>The duties and responsibilities of the Audit Committee are set out in the Terms of References, made available on the corporate 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

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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|---------|
| Application | : | 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 8.5

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 Audit Committee comprises of all Independent Non-Executive Directors. All members of the Committee possess a wide range of necessary skills to discharge its duties and are financially literate to carry out their duties.</p> <p>The Chairman of the Audit Committee, Ms Chee Chung Yen is a member of the Malaysian Institute of Accountants or otherwise a person approved under Paragraph 15.09 (1)(c)(ii) or (iii) of the LR.</p> <p>The Audit Committee assists the Board in its responsibility to oversee and scrutinise the financial reporting and the effectiveness of the internal controls of the Group. Audit Committee members have from time to time attended various relevant training programmes, seminars and trades shows organised by relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.</p> <p>For the FYE2020, all members attended training on, inter-alia, the MACC Corporate Liability training.</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 9.1

The board should establish an effective risk management and internal control framework.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is committed to maintain a sound system of risk management and internal controls to safeguard the assets of Superlon and shareholders' investments as stipulated by the Malaysian Code of Corporate Governance and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.</p> <p>The Board regards risk management as an integral part of the business operations and has approved the framework adopted by the Group to manage its risks. The Group implements an on-going process of identifying, evaluating, monitoring and managing significant risks that may affect the Group in achieving its business objectives throughout the financial year under review. This process is periodically reviewed by the Internal Auditors and recommendations are made to the management and reported to the Audit Committee on areas requiring improvement where necessary.</p> <p>The Board recognises that the system is designed to manage within an acceptable risk profile, rather than eliminate the risk of failure to achieve the business objectives of the Group. Therefore, the internal controls can only provide reasonable and not absolute assurance against the occurrence of any material loss or failure. The Group will continue to take appropriate measures to strengthen the internal control environment and processes through an optimal balance between control costs and benefits.</p> <p>The Board had received assurance from the Managing Director and the Finance Director that, to the best of their knowledge, the Group's risk management and internal control system is operating adequately and effectively in line with the Group's objectives, in all material aspects.</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

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 9.2

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 following factors were considered in the risk assessment and are documented in the Group's risk management framework:-</p> <ul style="list-style-type: none"> - The nature of risks facing the Group; - The extent of risks which it regards as acceptable for the Group to bear; - The likelihood of the risks concerned materializing; and - The Group's ability to reduce the incidence of risks that may materialise and their impact on the business. <p>The Head of each business unit participates in the identification as part of the management's risk management initiatives. Any new significant risks identified and the corresponding internal controls implemented are discussed during periodic management meetings. These are brought to the attention of the Executive Directors, Audit Committee and/or the Board at their scheduled meetings. The Group's key risk profile is updated regularly wherein risks identified are prioritised in terms of possibility of occurrence and the potential impact to the Group's operation should the risks materialise.</p> <p>Other key elements of the system of internal control of the Group are disclosed in the Statement of Risk Management and Internal Controls in the Annual Report.</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

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 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

| | | |
|--|---|--|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | The Risk Management role is covered by the Audit Committee which comprises of Independent Directors. |

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 10.1

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 internal audit function is outsourced to an external consultant firm, i.e. Matrix Corporate Consultancy Sdn Bhd, which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. The principal role of the internal audit includes:-</p> <ul style="list-style-type: none">- Assisting the Board in the review of the adequacy, integrity and effectiveness of the system of internal controls of the Group to enable the Board to prepare the Statement on Risk Management and Internal Control in the Annual Report;- Performing risk assessment of the Group to identify and evaluate the principal risk factors and ensuring the implementation of appropriate internal control processes and procedures to mitigate these risks;- Allocating adequate audit resources, in accordance with the internal audit plan reviewed by the Audit Committee, to carry out internal audits on key operations of the Group so as to provide the Board with effective and efficient audit coverage; and- Providing independent and objective reports on the state of internal controls of the various operating units within the Group to the Audit Committee so that remedial actions and continuous improvements can be taken in relation to any weaknesses noted in the systems and controls of the respective operating units. |
| 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 10.2

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 Group has outsourced its internal audit function to an independent consulting firm, i.e. Matrix Corporate Consultancy Sdn Bhd. The team is headed by the firm partner, Jean Wong, who is an approved licensed auditor and a Chartered Accountant registered with Malaysia Institute of Accountants. The manager in charge is Mr Chong Yaw Huei who is a Fellow member of ACCA and a member of Malaysian Institute of Accountants.</p> <p>The internal audit personnel are free from any relationships or conflicts of interest, which could potentially impair their objectivity and independence.</p> <p>The Internal Audit practices adopted by the internal auditors conform with the International Standards for the Professional Practice of Internal Auditing.</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 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

| | |
|---|---|
| Application : | Applied |
| Explanation on application of the practice : | <p>The Board acknowledges the importance of an effective, transparent and regular communication with its stakeholders. As a public listed company, the Company has put in place procedures to abide by the corporate disclosure requirements of material information as set out by Bursa Securities. The Board members are kept informed of material matters which require public disclosures and they approve the announcement of material matters prior to public disclosure. The Board is mindful that material information is to be announced timely and that confidential information should be sensitively handled to avoid leakages leading to improper use of such information. In such circumstance, the Company will also closely monitor the market activity of its securities during a period where information is withheld. Where it is believed that such information has inevitably been leaked, immediate announcement will be made.</p> <p>Superlon's website consists of the relevant corporation information including the board charter, terms of reference of the board committees, key policies of the Company, annual report, etc. Shareholders and investors are also kept informed of all major developments within the Group by way of announcements via the BURSA LINK.</p> <p>The Company values constant dialogue and is committed to clear communication with its shareholders and investors. In this respect, as part of the Group's active investor relations programme, the Company also engages with fund managers, financial analysts, shareholders and the media from time to time.</p> <p>In addition, written questions raised by the Minority Shareholders Watch Group were presented to the shareholders at the AGM together with the Company's response.</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

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 11.2

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 is not under the category of large companies as defined in the MCCG 2017, and hence this is deemed not applicable. | |
| | | | |
| <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 12.1

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 notice for the upcoming Annual General Meeting of the Group in 2020 was distributed to the shareholders together with the Annual Report on 21 August 2020, giving at least 28 days' notice prior to the meeting. | |
| 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 12.2

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 | : | All Directors were present at the last AGM to engage directly with and be accountable to the shareholders for their stewardship of the Company. The Directors, all other committee members, and external auditors were in attendance to respond to the shareholders’ queries. The AGM (and any other general meetings) also serves as a forum for the Board to engage with the shareholders personally to obtain their views and feedback. | |
| 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 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Group held its General Meetings in Klang where the location is accessible. Shareholders who drive there are given free parking as well. | |
| | | Shareholders who are unable to attend the AGM in person can authorise another person as their proxy/proxies to cast votes on his/her behalf. | |
| <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
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA
MALAYSIA**

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

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