

CORPORATE GOVERNANCE REPORT

STOCK CODE : 8966
COMPANY NAME : PROLEXUS BERHAD
FINANCIAL YEAR : July 31, 2023

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board of Directors of Prolexus Berhad ("PROLEXUS" or the "Company") (the "Board") collectively leads and is responsible for formulating and reviewing key policies and charting the course of the Company's strategic directions. The Board, through the Audit Committee ("AC"), Risk Management Committee ("RMC"), Remuneration Committee ("RC") and Nominating Committee ("NC"), provides effective oversight of the management's performance, risk assessment and controls over business operations, and compliance with regulatory requirements. The Company recognises the importance of the Board in providing a leadership and sound base for good corporate governance in the operations of the Company.</p> <p>The key responsibilities of the Board include but not limited to:</p> <ul style="list-style-type: none">- Review and adopt business strategic plan for the Group;- Maintain overall control and monitoring accountability systems;- Ensure an effective execution of strategic plan is in accordance with the values and standards of the Company which reinforces ethical, prudent and professional behaviours;- Monitor compliance with relevant legal, tax and regulatory obligations;- Review and monitor the systems of internal compliance and controls, codes of conduct, continuous disclosures, legal compliance and other significant corporate policies; and- Ensure the Group has an appropriate corporate governance structure in place. <p>The Chairman of each Board Committee will report to the Board on the results of the committee meetings, including key issues considered at the committee meetings. The Board Committees are to perform their duties in accordance with the Terms of Reference ("TOR").</p> <p>The Board Charter and TOR for the AC, NC, RMC and RC are available on the Company's website at https://www.prolexus.com.my.</p>

Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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	:	Departure	
Explanation on application of the practice	:	Not applicable	
Explanation for departure	:	The position of Chairman of the Board is currently vacant. The Company will appoint a Chairman when there is a suitable candidate for the position.	
		Either one of the Board members of the Company would be elected to preside as Chairman of the Board at every Board meeting.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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>As stated under Practice 1.2, the position of the Chairman is currently vacated. However, to maintain a good corporate governance practice, the position of the Chairman and Executive Directors will be held by different individuals. There is a clear separation of duties and responsibilities to ensure a balance of power and authority so that no one individual has unfettered powers of decision making.</p> <p>The roles and responsibilities of the Chairman and Executive Directors are set out in the Board Charter and is available on the Company's website at https://www.prolexus.com.my.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
Application	: Applied
Explanation on application of the practice	: Presently, the Company has not appointed a Chairman of the Board and will endeavour to appointed a Chairman of the Board, where there is a suitable candidate for the position. In view thereof, the AC, NC, RMC and RC do not have the Chairman of the Board as a member of the committees.
Explanation for departure	: Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Not applicable.
Timeframe	: Not applicable.

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	:	The Board of Prolexus is supported by two (2) suitably qualified and competent Company Secretaries who provide advices on governance matters, Board policies and procedures as well as requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by regulatory authorities. The Company Secretaries ensure that discussions at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant parties for appropriate action. The Company Secretaries constantly kept themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance by attending relevant trainings from time to time.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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	:	The notice of the Directors' meeting is given to the Directors in writing at least seven (7) days prior to the meeting together with the relevant agenda items. This allows the Board sufficient time to review the meeting materials, fostering a conducive and meaningful discussion during the meeting. The minutes of the Board and Board Committees were also circulated within a reasonable timeframe.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter outlines the roles of the Board, Chairman and Executive Directors as well as Independent Directors and Board Committees. The Board Charter has been incorporated into the Group's governance system, encompassing documented policies that the Board has established to fulfill its responsibilities. This includes governance and leadership, serving as a descriptive tool outlining how the Board operates. The Board Charter reflects the procedures of the Board and matters reserved for the Board's consideration and approval. The Board Charter is made available on the Company's website at https://www.prolexus.com.my.</p> <p>The Board Charter is reviewed as and when necessary, to align with changes in regulations and best practices and ensuring its ongoing effectiveness and relevance to the Board's objectives.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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>The Company has maintained and adopted the Code of Conduct (“Code”) to be adhered by all individuals employed by the Group.</p> <p>The Code sets out the Company’s expectations regarding values, principles and standards of good conduct that reflect the Company’s commitment to integrity, transparency, accountability and self-regulation. The Code highlighted and reinforced key ethical and legal conduct areas, including personal behaviour, particularly those related to business activities.</p> <p>The Board is committed to maintain a corporate culture that engenders ethical conduct through the Code, which summarises what the Company must do proactively to increase corporate value and describes the areas in daily activities that require caution to minimise risks.</p> <p>The Code is available on the Company’s website at https://www.prolexus.com.my.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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	:	The Group has a whistleblowing policy setting out procedures to provide all employees of the Group and other interested parties an avenue where genuine concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices can be objectively investigated and addressed. The whistleblowing policy is made available on the Company's website at https://www.prolexus.com.my .	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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	:	<p>The Board holds the ultimate accountability for the Company's operations by ensuring environmental, social and governance (ESG) considerations are embedded in the strategic planning, risk management and implementation of the Company's business strategies.</p> <p>The management is committed to exploring the benefits of sustainable practices to the business and implementing such practices to achieve the right balance between the needs of the community, the requirements of shareholders and stakeholders as well as economic success.</p> <p>The information on the Company's material issues along with its societal and environmental impacts and key sustainability initiatives are disclosed in the Sustainability Statement of the Annual Report 2023.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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
Explanation on application of the practice	:	<p>The Board acknowledges the importance of having continuous and meaningful communication with the Company's stakeholders on its sustainability strategies, priorities, performance and commitments in driving sustainability of the Company, through regular engagement, communication and obtaining feedback and/or opinion from the stakeholders.</p> <p>The Company's sustainability strategies, priorities and targets as well as performance are developed and monitored after a careful review of outcomes arising from the materiality assessment exercise and engagements with its key internal and external stakeholders.</p> <p>The stakeholders engagement methods which the Company adopted have been disclosed in the Sustainability Statement of the Annual Report 2023.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries regularly update the Board on the changes in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") ("Bursa Securities") upon receiving the circulars from Bursa Securities and provide advices on corporate disclosures and compliances which include the understanding of sustainability issues.</p> <p>The Board has sufficient knowledge and understanding of sustainability issues relevant to the Company and its business to conduct its responsibilities effectively and is committed to keeping abreast of sustainability issues related to the changing operating environment that are relevant to its business.</p> <p>The Board and Management continue to advocate for elements of sustainability in the business, and the Company remains committed to developing and enhancing the practices and initiatives.</p> <p>Further details are set out in the Sustainability Statement of the Annual Report 2023.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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	:	Applied	
Explanation on application of the practice	:	<p>The NC, with the assistance of the Company Secretaries, had carried out a set of performance evaluations to review the effectiveness of the Board, Board Committees and individual Directors as well as senior management annually.</p> <p>The performance evaluations of the Board and senior management include a review of the Company’s material sustainability risks and opportunities. It is part of the procedure to measure progress against the achievement of the sustainability targets to promote accountability of the Board and senior management, and to identify any issues that may require intervention by the Board or the senior management to ensure corrective actions are taken.</p>	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.

Application	:	Not Adopted
Explanation on adoption of the practice	:	Not applicable.

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 Board empowers the NC to review and evaluate the composition and performance of the Board annually as well as to assess qualified candidates to occupy Board positions.</p> <p>The NC conducts annual review of the composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, diversity and adequacy of balance between Executive Directors and Non-Executive Directors.</p> <p>The NC also assessed and reviewed the experience, skills, time commitment and expertise of the Directors who are due for re-election and was satisfied that they had fulfilled the required fit and proper criteria set by the Board.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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	:	As at 31 July 2023, there are 2 Independent Non-Executive Directors out of a total of 6 Board members. Therefore, the Company did not adopt Practice 5.2 which at least half of the Board comprises of Independent Non-Executive Directors.	
		Currently, the Board views that the current composition is balanced and effective, with a good mixture of skills and experiences from various of background of the members. Nevertheless, the Board will consider the appointment of an additional independent Director, when suitable candidate is identified.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

Intended Outcome

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

Practice 5.3

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied	
Explanation on application of the practice	:	During the financial year under review, none of the Independent Non-Executive Directors has reached the nine (9) year tenure. Should the Board intend to retain an Independent Director beyond nine (9) years, the Company shall provide justification and seek annual shareholders' approval through a two-tier voting process accordingly.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

Intended Outcome

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

Practice 5.4 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	Not applicable.

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 Board recognises the importance of diversity in terms of skills, experience, age, gender, and cultural background and recognises the benefits of diversity at the leadership and employee levels.</p> <p>The appointment of the Company's Board and senior management are based on objective criteria, merit, and due consideration for diversity in skills, experience, age, cultural background and gender. The Group adheres strictly to the practice of non-discrimination of any form.</p> <p>An annual assessment will be carried out annually to review the contribution of each Director. A summary of the assessment will be presented to the NC for consideration and to develop recommendations and/or an action plan where determined necessary or desirable.</p> <p>The Board concluded that the current Directors own a diverse mix of skills matrix, knowledge, experience and age.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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	:	Applied
Explanation on application of the practice	:	<p>The Board will deliberate the proposed appointment of a new Director based on the recommendation by the NC.</p> <p>In evaluating the suitability of the candidates to the Board, the NC will get recommendations from existing Board members, management, major shareholders, or seek professional advice from independent search firms, if necessary, based on the following criteria:</p> <ul style="list-style-type: none"> • skills, knowledge, expertise and experience; • commitment to discharge his role as a Director effectively; • professionalism; • boardroom diversity including gender, age, professional background and experience diversity; and • character, integrity, time commitment and competence. <p>In the case of independent Director, the NC will consider whether he is independent in the context of the Listing Requirement of Bursa Securities.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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 profile of the Directors is enclosed in the Annual Report 2023 of the Company. As at the date of this Annual Report 2023, none of the Independent Non-Executive Directors has any business relationship nor conflict of interest with the Group which would influence their independent judgement to act in the best interest of the Group. The Board via the NC had also assessed the independency of each of the Independent Non-Executive Directors. A statement on the justification of re-appointment of the Directors who are subjected for retirement was stated under the explanatory notes on the Notice of AGM.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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	:	Datuk Low Chin Koon, an Independent Non-Executive Director, chairs the Nominating Committee.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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	:	Not applicable.	
Explanation for departure	:	The Board comprised of 6 Directors currently, of whom 1 is woman, representing 16.67% female representation.	
		The Board acknowledges the importance of gender diversity in the Board. However, the selection and appointment of a new Board member is still subject to appropriate due diligence on the mix of skills and competencies as well as the necessary diversities. The Company will consider increasing female representation when suitable candidate is identified.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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	:	Departure	
Explanation on application of the practice	:	Not applicable.	
Explanation for departure	:	The Company has not set any specific policies on gender diversity for the Board and senior management. However, the Board is supportive of the recommendation of MCCG 2021 of the establishment of boardroom and workforce gender diversity.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

Intended Outcome

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

Practice 6.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
Application	: Applied
Explanation on application of the practice	: <p>During the year, the Board conducted an internally facilitated Board assessment/evaluation via the NC to review the competencies and composition of the Board.</p> <p>Each Director and Board Committee Member completed the evaluation form and submitted it on a confidential basis to the Company Secretary, who collated the responses and produced a summary report for tabling to the NC. The NC reviewed the report and submitted its findings and report to the Board for assessment of the performance and effectiveness of the Board and Board Committees.</p> <p>Based on the summary results obtained, the NC has concluded that each Director has the necessary competencies to serve on the Board and has fully demonstrated their commitment towards the Company. The NC has also recommended that the Board re-elect the retiring Directors at the 31st AGM of the Company.</p>
Explanation for departure	: Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Not applicable.
Timeframe	: Not applicable.

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	:	Departure	
Explanation on application of the practice	:	Not applicable.	
Explanation for departure	:	There is no formal Group policy determining Board's and senior management's remuneration. The Board approves and recommends the remuneration of executive and non-executive directors annually based on the RC's review and recommendations.	
		Senior management remuneration is determined by the respective heads of divisions, considering their performance, commitment, roles and responsibilities.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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 Board has established a RC which comprises of 3 Non-Executive Directors.</p> <p>The RC reviews and recommends to the Board annually on the Board's remuneration package that reflects their respective contributions for the year, and which depends on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.</p> <p>The Terms of Reference of RC is accessible on the Company's website at https://www.prolexus.com.my.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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 details of the remuneration of each Directors for the FYE 2023 are disclosed in the Company's Annual Report 2023.

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	EPF	Other emoluments	Total	Fee	Allowance	Salary	Bonus	EPF	Other emoluments	Total
1	Datuk Au Yee Boon	Executive Director	-	-	-	-	-	-	-	59	-	-	-	-	190	249
2	Lee Boon Siong ^(a)	Executive Director	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Tan Eik Huang ^(b)	Executive Director	-	-	-	-	-	-	-	120	-	180	50	28	-	378
4	Tan Chin Yong	Independent Director	46	-	-	-	-	-	46	46	-	-	-	-	-	46
5	Datuk Low Chin Koon	Independent Director	48	-	-	-	-	-	48	48	-	-	-	-	-	48
6	Datin Lim Lee Wheng	Non-Executive Non-Independent Director	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Au Yee Soon	Non-Executive Non-Independent Director	-	-	-	-	-	-	-	-	-	90	-	11	-	101

Notes:

(a) Appointed on 27 September 2023

(b) Resigned on 27 September 2023

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:	Not applicable	
Explanation for departure	:	The Board is of the opinion that it is not within the Company's interest for such disclosure considering the highly competitive market for talents in the business. The Board further opined that it would also not be in the best interest of the senior management for confidentiality and privacy reasons. Thus, the names of the senior management are not stated in the remuneration bands.	
		Nonetheless, the remuneration of senior management is disclosed in the Annual Report 2023 in the bands of RM100,001 to RM500,000 without reflecting the names of the individuals.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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 Chairman of the AC is Mr Tan Chin Yong. He is not the Chairman of the Board.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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	:	Applied
Explanation on application of the practice	:	<p>The Company recognised the need to uphold the independence of its external auditors and that no possible conflict of interest whatsoever should arise.</p> <p>Currently, none of the members of the AC is a former audit partner of the Company.</p> <p>The Company will observe a cooling-off period of at least 3 years if any potential candidate appointed as an AC member is an audit partner of the Company's external auditors.</p> <p>The Terms of Reference of the AC is available at the Company's website at https://www.prolexus.com.my.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

Application	:	Applied
Explanation on application of the practice	:	<p>The AC has put in place policies and procedures to assess the suitability, objectivity and independence as well as the performance of the external auditors.</p> <p>The AC had also obtained written assurance from the external auditors confirming that they were, and had been, independent throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The AC has carried out an annual assessment of the external auditors for the FYE 2023. The review process includes:</p> <ul style="list-style-type: none">i) assessing the external auditor's independence;ii) assessing the external auditor's performance, quality of work, audit fees; andiii) adequacy of resources. <p>Through the annual assessment, the AC is satisfied with the performance of the external auditors and has recommended the re-appointment of the external auditors for the shareholders' consideration at the forthcoming 31st AGM.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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	:	Please provide an explanation on the adoption.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	All the AC members possess a considerate understanding of financial reporting and auditing process. They also have the necessary accounting, financial, commercial expertise and capital markets skills required to meet their responsibilities and provide an effective level of challenge to management.
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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 affirms its overall responsibilities for the Group's system of internal control which include the establishment of an appropriate control environment and framework as well as reviewing its adequacy and effectiveness. The internal control system has been applied to manage risks within cost levels appropriate to the significance of the risks. Accompanying these regular reviews and evaluations of internal control system is a continuous process of identifying, evaluating and managing significant risks which are encountered by the Group.</p> <p>Details of the Group's risk management and internal control framework are set out in its Statement on Risk Management and Internal Control in the Company's Annual Report 2023.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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	:	The Board acknowledges the importance of maintaining a sound risk management and internal control framework to safeguard shareholders' investments and Company's assets. Therefore, a framework to formulate and review risk management policies and risk strategies has been established. Further information on the Group's risk management framework is presented in the Statement on Risk Management and Internal Control of the Annual Report 2023.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The Company has established a RMC, which comprises a majority of Independent Directors, to oversee the risk management function together with the management.

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	:	The AC of the Company is responsible for monitoring and reviewing the effectiveness of the Group's Internal Audit function. The Internal Audit function is independent of the external auditors and is led by the Internal Audit, which is outsourced to Atrium Advisory PLT who reports directly to the AC. The Internal Auditor attends and reports at the AC meetings on its work conducted as well as its findings, management's responses and recommendations. Details of the internal audit functions are set out in the AC Report in the Annual Report 2023.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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 Internal Auditors reports to the AC. This reporting relationship supports internal audit independence and objectivity, which assures adequate consideration of audit recommendations and planned corrective actions. The relationship also gives the Internal Audit staff the authority needed for full, free and unrestricted access to any or all operations, records, property and personnel within the Group.</p> <p>The Internal Auditor is led by Mr Soon Zee Yi. He is a member of the Malaysian Institute of Accountants.</p> <p>The internal audit reviews were conducted using a risk-based approach and were guided by the International Professional Practice Framework. None of the internal audit personnel has any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.</p> <p>Further details are disclosed in the AC Report of the Annual Report 2023.</p>
Explanation for departure	:	Not applicable.
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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>The Company has formalised a Corporate Disclosure Policy and procedure not only to comply with the disclosure requirements as stipulated in the Main Market Listing Requirements of Bursa Securities, which also sets out the persons authorised and responsible to approve and disclose material information to all stakeholders.</p> <p>The Group's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly results, annual report, corporate announcements to Bursa Securities and press conferences. It is the Group's practice that any material information for public announcements, including annual, quarterly financial statements, press releases, and presentation to investors, analyst and media are factual and reviewed internally before issuance to ensure accuracy and are expressed in a clear and objective manner.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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	:	Not applicable – Not a Large Company	
Explanation on application of the practice	:	Not applicable.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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 Notice of the 30 th AGM of the Company held in the year 2022 was issued more than twenty-eight (28) days prior to the meeting, which was served to the shareholders on 30 November 2022 and the AGM was held on 30 December 2022. The notice of AGM was served in compliance with the Companies Act 2016 and the shareholders were given sufficient time.	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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>Barring any unforeseen circumstances, all Directors undertake to attend all the Company member meetings. All Directors of the Company attended the 30th AGM in a completely virtual manner last year.</p> <p>The presence of all Directors provides shareholders with an opportunity to engage with each Director and also allows shareholders to raise questions and concerns directly to the Directors.</p>	
Explanation for departure	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable.	
Timeframe	:	Not applicable.	

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	:	Applied
Explanation on application of the practice	:	<p>The Company's 30th AGM held on 30 December 2022 was conducted virtually through live streaming and online remote participation and voting by shareholders and proxies.</p> <p>The online platform was hosted on a secure cloud platform with good cyber hygiene practices and security to prevent cyber threats.</p> <p>The Company will continue to conduct the 31st AGM on a fully virtual basis via remote participation and voting.</p>
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
Application	: Applied
Explanation on application of the practice	: The Directors and the principal officers were present at the 30 th AGM to respond to the questions posed by shareholders. During the live streaming of the AGM, questions from the shareholders which were raised before and during the AGM were addressed by the Chairman or the Executive Directors. Sufficient time and opportunity were made available for shareholders to pose questions during the 30 th AGM.
Explanation for departure	: Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Not applicable.
Timeframe	: Not applicable.

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.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
Application	: Applied
Explanation on application of the practice	: The Company conducted its 30 th AGM on 30 December 2022 on a fully virtual basis through live streaming and online remote voting. Shareholders were able to submit questions to the Company prior to the AGM via the Share Registrar, or they used the query box to transmit questions to the Company via the Remote Participation and Voting facilities during the live streaming of the AGM. The shareholders were allowed to submit their questions at any time from the date of issuance of the notice of AGM up to the AGM date, before the Chairman declared close of the AGM.
Explanation for departure	: Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Not applicable.
Timeframe	: Not applicable.

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.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>		
Application	:	Applied
Explanation on application of the practice	:	The minutes of 30 th AGM was confirmed by the Chairman after the AGM and once it has been finalised, it was uploaded to the Company's website within the prescribed period.
Explanation for departure	:	Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

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

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

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