

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5162
COMPANY NAME : VSTECS BERHAD
FINANCIAL YEAR : December 31, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is responsible for the overall corporate governance, strategic direction, corporate goals and therefore monitors the achievement of these goals. It provides effective leadership and manages overall control of the Group's affairs through the discharge of the following principal duties and responsibilities:-</p> <p>(a) Reviewing the strategic plan for the Group as well as Management's proposals and business plans</p> <p>The Board plays an active role in the development of the Group's strategic plan. It has in place a strategic plan whereby Management updates the Board on the progress of implementation of the strategic plan regularly. Mr. Soong Jan Hsung ("Mr. Soong"), the Chief Executive Officer ("CEO") updates the Board on the progress of the implementation of the strategic initiatives by Management at every quarterly Board Meetings.</p> <p>In those sessions, the Board reviews and deliberates on Management's progress towards achieving the strategic initiatives, as well as providing guidance to Management's methods to deliver the best outcomes.</p> <p>(b) Supervising Management's performance on business operations</p> <p>The Board monitors the performance of Management on a regular basis by having the following regular agenda item in the Board Meetings which is "<i>Group Performance Review for the Current Quarter ended and Current Year-to-date</i>".</p> <p>For financial year ended 31 December 2021 ("FY2021"), Mr. Soong was responsible for presenting the above agenda item to the Board for review and consideration.</p> |

(c) Take cognisance of the principal risks of the Company’s business and to receive quarterly updates on the risk ranking and risk appetite

Mindful of its duties in terms of identification of principal risks as well as the need to institute risk management and internal control measures, the Board has adopted an Enterprise Risk Management (“ERM”) Framework to manage its risk and opportunities.

A Management Committee known as the ERM Committee, which reports directly to the Audit Committee (“AC”), was established by the Board with the primary responsibility of ensuring the effective functioning of the adopted ERM Framework.

The ERM Committee advises the AC and the Board on a regular basis on areas of high risk and the adequacy of compliance and control procedures throughout the Group.

For FY2021, there were four (4) ERM Meetings conducted to review all the risk inputs given through all quarters of the year for all risks together with the impact recorded for risk-ranking purpose. The ERM Committee had also attended and worked on to the risk elements reference as requested by the Internal Auditors.

(d) Ensuring business continuity by reviewing emergency succession planning

One of the most fundamental components of good corporate governance is the establishment of an effective company hierarchy.

The Board, with the assistance of the Nominating Committee (“NC”) and working with the CEO and Human Resource Department, oversees executive officers’ development and corporate succession plans for the CEO and other executive officers to provide for continuity in senior management.

The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation for high level management positions that become vacant due to retirement, resignation, death or disability and/or new business opportunities.

The Board has formalised a Succession Planning Policy to ensure the Group’s continuity in leadership for all key positions. This Policy has outlined the measures in place as well as the development processes for the orderly succession of senior management personnel. A copy of this Policy is available for viewing under the “Corporate Governance” section of the Group’s corporate website at www.vstecs.com.my.

(e) Reviewing the stakeholders' communication activities undertaken by the Company's nominated spokesperson

The Board has adopted a Corporate Disclosure Policy which includes, amongst others, a dedicated Investor Relations ("IR") section which serves as a guide for the Board to oversee the development of an effective IR programme and strategy to communicate the corporate vision and mission, strategies, development, financial plans and prospects to investors, the financial community and other stakeholders and accurately and to obtain feedback from the stakeholders.

(f) Reviewing the adequacy and the integrity of the Group's internal control systems and ERM Framework

The Board has established key control processes to ensure that there is a sound framework of reporting on internal controls and regulatory compliance.

The Statement on Risk Management and Internal Control of the Group as set out in the Annual Report, provides an overview of the state of risk management and internal controls within the Group.

(g) Receiving financial and non-financial reporting from Management/ advisor

The AC receives the financial and non-financial reporting from Management, External Auditors, Outsourced Internal Auditors as well as In-House Internal Audit Department ("IAD") on a regular basis by having the following regular agenda in the AC Meetings:-

- (i) To review the Internal Audit Reports prepared by the Outsourced Internal Auditors;
- (ii) To review the External Auditors' Reports;
- (iii) To review the Quarterly Report on consolidated results for every quarter;
- (iv) To review the identified significant matters pursuant to Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities");
- (v) To consider the related party transactions ("RPT") that may arise within the Group; and
- (vi) To review the Internal Audit Reports prepared by the In-House Internal Audit Manager;
- (vii) To receive the report of the ERM Committee.

The Chairman of AC then updates and summarises the key salient points for the Board's attention at the respective Board Meetings.

(h) Promote good corporate governance culture within the Group

Save for the abovementioned policies, the Board has adopted the following policies as additional measures promoting a healthy

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| | <p>corporate governance culture within the Group that engenders integrity, transparency and fairness:-</p> <p>(i) Anti-Bribery and Corruption Policy (“ABC Policy”); (ii) Whistle Blowing Policy and Procedures (“WB Policy”); (iii) RPT Policy; and (iv) Insider Dealing Policy.</p> | |
| <p>Explanation for departure</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>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 | : | <p>The role and responsibilities of the Chairman of the Board have been clearly specified in Paragraph 5.2 of the Board Charter, which is available for reviewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p>The Chairman is primarily responsible for:-</p> <ul style="list-style-type: none"> • Leading the Board of Directors in setting the direction and policies of the Group; • Advising on the strategic plans for medium to long term growth of the Group; • Representing the Board to shareholders and to chair and to ensure the efficient organisation and conduct of the Board and/or meeting of the shareholders; • Ensuring the integrity of the governance process and issues; • Maintaining regular dialogue with the CEO over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern; • Ensuring that CEO and senior management look beyond their executive function and accept their share of responsibilities in governance; • Guiding and mediating Board actions with respect to organisational priorities and governance concerns; and • Performing other responsibilities assigned by the Board from time to time. |
| 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

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>For FY2021, the late Mr. Foo Sen Chin ("late Mr. Foo"), the Non-Independent Non-Executive Chairman, although not an Independent Non-Executive Director ("INED"), provides strong leadership and objective judgement with regards to ensuring the adequacy and effectiveness of the Board's governance process during his tenure with the Company.</p> <p>Whereas Mr. Soong, the CEO in essence is to ensure the effective implementation of the Group's Business Plan and policies established by the Board as well as to manage the daily conduct of the business and affairs to ensure its smooth operation.</p> <p>The Board is of the view that the separation of the positions of the Chairman and the CEO together with the INEDs, provides further assurance that there is a balance of power and authority on the Board and effective stewardship of the Group in terms of strategies and business performance.</p> <p>The Board Charter under Paragraphs 5.2 and 5.3 have outlined the Role of the Chairman of the Board and the Role of the CEO to ensure accountability and division of responsibilities, and the Board Charter is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

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| <p><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></p> | |
| Application | : Departure |
| Explanation on application of the practice | : |
| Explanation for departure | : <p>For FY2021, the Board has departed from the recommendation of Practice 1.4 of the Malaysian Code on Corporate Governance ("MCCG 2021") whereby the Chairman of the Board should not be a member of any of the Board Committees.</p> <p>The late Mr. Foo, the Non-Independent Non-Executive Chairman, is also a member of Remuneration Committee ("RC").</p> <p>For FY2021, the late Mr. Foo has also attended the Twenty-First Meeting of the NC ("21st NC Meeting") held on 13 January 2021 as an invitee.</p> <p>The late Mr. Foo was invited to provide inputs for the matters discussed at the 21st NC Meeting. However, he did not participate in the decision of the resolutions, proposals and matters tabled for approval at the said Meeting.</p> <p>On 22 November 2021, the Board has announced to Bursa Securities in respect of the demise of Mr. Foo on 18 November 2021. Consequent thereto, the late Mr. Foo also ceased as a member of RC. The Board has subsequently announced to Bursa Securities on the appointment of Madam Lee Marn Fong @ Wu Marn Fong ("Madam Lee") as the new Non-Independent Non-Executive Chairman in place of the late Mr. Foo effective from 16 February 2022.</p> <p>Up to the date of the issuance of this Report, Madam Lee does not sit on any Board Committees or attend any Board Committees' Meetings.</p> |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | |
| Measure | : Please explain the measure(s) the company has taken or intend to take to adopt the practice. |

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| Timeframe | : | Choose an item. | |
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Intended Outcome

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

Practice 1.5

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

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| Application | : Applied |
| Explanation on application of the practice | <p>The Board is supported by two (2) suitably qualified and competent Company Secretaries as follows:-</p> <ul style="list-style-type: none">• Ms. Chua Siew Chuan, FCIS; and• Mr. Cheng Chia Ping, ACIS. <p>Both the Company Secretaries have professional qualifications and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 (“CA 2016”). One of them is a Fellow member of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) (“FCIS”) whilst the other is an Associate member of MAICSA (“ACIS”).</p> <p>The brief profile of Ms. Chua and Mr. Cheng are as follows:-</p> <p><u>Ms. Chua Siew Chuan (“Ms. Chua”), FCIS</u></p> <p>Ms. Chua has been elected as a FCIS since 1997. She has more than thirty-five (35) years of experience in handling corporate secretarial matters, with working knowledge of many industries and government services.</p> <p>She is the Immediate Past President of MAICSA. Ms. Chua is a Chartered Secretary by profession. She is the Managing Director of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Ms. Chua is also the named Company Secretary for a number of public listed companies, public companies, private limited companies and societies.</p> <p><u>Mr. Cheng Chia Ping (“Mr. Cheng”), ACIS</u></p> <p>Mr. Cheng has been elected as an ACIS since 2012. He has more than ten (10) years of experience in handling corporate secretarial matters, with working knowledge of many industries and non-profit organisations. Mr. Cheng is a Chartered Secretary by profession. He is a Manager (Corporate Secretarial) of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Mr. Cheng is also the named Company Secretary for a number of public</p> |

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| | <p>listed companies, public companies, private limited companies and societies.</p> <p>In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-</p> <ul style="list-style-type: none"> • Statutory duties as required under the CA 2016, Main LR of Bursa Securities and Capital Market and Services Act 2007; • Facilitating and attending Board Meetings and Board Committee Meetings, respectively; • Ensuring that Board Meetings and Board Committee Meetings, respectively are properly convened and the proceedings are properly recorded; • Ensuring timely communication of the Board level decisions to the Management for further action; • Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations; • Maintaining records for the purpose of meeting statutory obligations; • Facilitating the payment of Directors’ Fees to the Non-Independent Non-Executive Directors; • Facilitating the provision of information as may be requested by the Directors from time to time and ensuring adherence to Board policies and procedures; • Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee’s notation; • Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission Malaysia; and • Rendering advice and support to the Board and Management. <p>The Company Secretaries had and will continue to constantly keep themselves abreast on matters concerning company law, capital market, corporate governance, other pertinent matters and with changes in the same regulatory environment, through continuous training and industry updates. For FY2021, the Company Secretaries have attended the relevant continuous professional development programmes as required by MAICSA for practising company secretaries to enhance their ability in discharging their duties and responsibilities.</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> | |

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Intended Outcome

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

Practice 1.6

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>As a standing practice, the notice of the Board Meetings is served at least seven (7) days before each Board Meetings. In compliance with Practice 1.6 of the MCCG 2021 as well as the Board Charter of the Company, comprehensive meeting materials have been circulated in electronic form via e-mail at least seven (7) days prior to the Meetings to allow ample time for the Directors to consider the relevant information.</p> <p>By leveraging on technology, comprehensive meeting materials comprising background, matters arising, research, analysis, findings/updates, results, presentations, recommendations and any other relevant information are prepared and circulated in advance to enable the Board to make considerations, deliberations and decisions.</p> <p>Minutes of the Board Meetings have been accurately recorded by the Company Secretaries to reflect the deliberations, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities. The Minutes were then tabled at the following Board Meeting for perusal and confirmation. Upon Directors' confirmation, the Chairman of the Board Meeting signs the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept in the statutory book at the registered office of the Company to be made available for inspection under the CA 2016.</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 demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has adopted a Board Charter which governs how the Board conducts its affairs. The Board Charter is applicable to all Directors of the Company and, amongst other things, provides for that all Directors must avoid conflicts of interest between their private financial activities and their part in the conduct of Company's business.</p> <p>The Board Charter sets out the authority, responsibilities, membership and operation of the Board of the Group's, adopting principles of good corporate governance and practice, in accordance with applicable laws in Malaysia. The Board Charter entails, inter alia, the following main items:-</p> <ul style="list-style-type: none">• Objectives of the Board;• Role of Board;• Board Structure; and• Board Processes. <p>The Board Charter is to be regularly reviewed by the Board as and when required.</p> <p>A copy of the Board Charter is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p>The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of its duties. New appointees to the Board undergo a familiarisation programme, which includes visits to the Group's business operations and meetings with key management to facilitate their understanding of the Group's operations and businesses.</p> <p>Where possible, the Company Secretaries will inform the Directors on any updates/ briefings received from any authority(ies) or training providers, to enable the Directors to keep abreast on the latest development/ updates on relevant topic of interest.</p> |

All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

In order to ensure continuing education for the Board to enhance their knowledge and skills for better board participation during meetings, the Board members had attended the following training programmes/seminars/forums during the financial year under review:-

| Name of Directors | Training Programmes/ Seminars/ Forums Attended |
|------------------------------|--|
| Soong Jan Hsung | <ul style="list-style-type: none"> • Updated MCG 2021 - Implications to the Board of Directors and Management of VSTECS Berhad and its subsidiaries by Mr. Lee Min On (“Mr. Lee”) • Malaysia Digital Resiliency Situation Landscape by Internal Data Corporation (“IDC”) |
| Wong Heng Chong | <ul style="list-style-type: none"> • AC Conference 2021 - Agility, Empathy and Resilience: How ACs will thrive in the new normal by Malaysian Institute of Accountants • Updated MCG 2021 - Implications to the Board of Directors and Management of VSTECS Berhad and its subsidiaries by Mr. Lee • Malaysia Digital Resiliency Situation Landscape by IDC • SC’s Audit Oversight Board (“AOB”) Conversation with AC |
| Dato’ Khoo Sin Aik | <ul style="list-style-type: none"> • Updated MCG 2021 - Implications to the Board of Directors and Management of VSTECS Berhad and its subsidiaries by Mr. Lee • SC’s Guidelines on Conduct of Directors and Implications to both Directors and Management (“Guidelines on Conduct of Directors”) by Malaysian Investor Relations Association (“MIRA”) • Malaysia Digital Resiliency Situation Landscape by IDC |
| Abdul Aziz Bin Zainal Abidin | <ul style="list-style-type: none"> • Updated MCG 2021 - Implications to the Board of Directors and Management of VSTECS Berhad and its subsidiaries by Mr. Lee • Updated MCG 2021 by Minority Shareholders’ Watchdog Group (“MSWG”) • SC’s Guidelines on Conduct of Directors by MIRA • Malaysia Digital Resiliency Situation Landscape by IDC |

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| | | <ul style="list-style-type: none"> • SC's AOB Conversation with AC |
| | Cheryl Khor Hui Peng | <ul style="list-style-type: none"> • Updated MCCG 2021 - Implications to the Board of Directors and Management of VSTECS Berhad and its subsidiaries by Mr. Lee • Updated MCCG 2021 by MSWG • SC's Guidelines on Conduct of Directors by MIRA • Mandatory Accreditation Programme • Climate Change: Impact on Banks and Role of the Board by Asia School of Business ("ASB") • Understanding Board Decision-Making Process by ASB • Strategy & Risk Oversight Management by Institute of Corporate Directors Malaysia ("ICDM") • Sustainable Reset: The Role of NRC in Post-pandemic World by ICDM • A Comprehensive Review of Latest Developments in MFRS by Malaysian Institute of Accountants ("MIA") • Climate Change and ESG Conference by MIA • Minimising the Liabilities of Corporate Services Providers by MIA • The Law behind Corporate Governance by Malaysian Institute of Corporate Governance • 2021 Institute of Internal Auditors Malaysia National Conference |
| | Ong Wei Hiam | <ul style="list-style-type: none"> • Updated MCCG 2021 - Implications to the Board of Directors and Management of VSTECS Berhad and its subsidiaries by Mr. Lee |
| 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

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 Board has formalised the following Codes to ensure the implementation of appropriate internal systems for the Management to support, promote and ensure its compliance:-</p> <p>(a) Directors' Code of Ethics</p> <p>This Code is formulated for the Board and every Director to be committed on areas of ethical risk; to provide guidance to Directors to help them recognise and deal with ethical issues, to provide mechanisms to report unethical conduct and to help foster a culture of honesty and accountability.</p> <p>This Code is designed to enhance the standard of corporate governance and corporate behaviour with the intention of, amongst others to uphold the spirit of professionalism, objectivity, transparency and accountability in line with the legislation, regulations and environmental and social responsibility guidelines governing a company.</p> <p>A copy of this Code is available for reviewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p>(b) VSTECS's Code of Conduct</p> <p>This Code is established to promote a corporate culture which engenders ethical conduct that permeates throughout the Group.</p> <p>All Directors, Management and employees of the Group are to adhere to this Code and comply with the letter and spirit of the following items:-</p> <p>(i) Human Rights; (ii) Health and Safety;</p> |

- (iii) Environment;
- (iv) Gifts and Business Courtesies;
- (v) Anti-Corruption;
- (vi) Anti-Money Laundering;
- (vii) Company Records and Internal Controls;
- (viii) Company Assets;
- (ix) Exclusive Service;
- (x) Integrity and Professionalism;
- (xi) Personal Appearance;
- (xii) Confidential Information; and
- (xiii) Compliance Obligations.

A copy of this Code is available for viewing under the “Corporate Governance” section of the Group’s corporate website at www.vstecs.com.my.

(c) Anti-Bribery and Corruption Policy

The Board has adopted an ABC Policy.

All Directors, Management and employees of the Group, as well as all the stakeholders in the performance of their assignment or conducting business for and on behalf of the Group are to adhere to this ABC Policy and to comply with the Malaysian Anti-Corruption Commission Act 2009 (“**MACC Act 2009**”).

The employees are encouraged to report their concerns to the designated persons as stated in the ABC Policy through the provided reporting channel.

ABC Compliance Committee oversight by ERM committee has been established to implement the ABC Policy and its supporting programs.

Members of the ABC Compliance committee comprises of Chief Financial Officer (Chairman), CEO, Chief Information Officer and selected senior management member of business unit.

A copy of this ABC Policy is available for viewing under the “Corporate Governance” section of the Group’s corporate website at www.vstecs.com.my.

For FY2021, the Group has undertaken the following activities:-

- (i) Online ABC trainings for staff have been conducted; and
- (ii) Integrity pledge/declaration by the staff of the Group.

(d) Whistle Blowing Policy and Procedures

The Board has adopted a WB Policy.

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| | <p>All employees of the Group play an important part in maintaining the highest level of corporate ethics within the Group and have a professional responsibility to disclose any known malpractices or wrongdoings including bribery and corruption (hereon referred to as “Concerns”). The structure adopted by the Group establishes a clear line of communication and reporting of concerns for employees at all levels and provides alternative lines of communication depending on the person(s) who is/are the subject of such concerns.</p> <p>A copy of this Policy is available for viewing under the “Corporate Governance” section of the Company’s corporate website at www.vstecs.com.my.</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

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 | : | <p>The Board has adopted a WB Policy with the following objectives:-</p> <ul style="list-style-type: none">• Provide an avenue for all employees and members of the public to disclose any improper conduct or action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders;• Provide proper internal reporting channel to disclose any improper or unlawful conduct in accordance with the procedures as provided for under this policy;• Address a disclosure in an appropriate and timely manner;• Provide protection for the whistle-blower from reprisal as a direct consequence of making a disclosure and to safeguard such person's confidentiality; and• Treat both the whistle-blower and the alleged wrongdoer fairly. <p>This Policy shall also similarly apply to all the vendors, partners, associates or any individuals, including the general public, in the performance of their assignment or conducting the business for or on behalf of the Group.</p> <p>A copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p><u>Handling of Reported Allegation(s)</u></p> <p>The AC is responsible for the interpretation and supervision of the enforcement of this Policy. The action to be taken by the Group in response to a report of concern under this Policy will depend on the nature of the concern. The AC shall receive information on each report of concern and ensure that follow-up actions be taken accordingly.</p> <p><u>Communication and Feedback Channels</u></p> <p>In general, whistle blowers are expected to utilise the appropriate channels provided, prior to making public statements (as a last resort measure).</p> |

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| | <p>In line with the advent of technology and electronic communications, report(s) can now be made in verbal or in writing/e-mail and forwarded in a sealed envelope to the below mentioned designated person(s) labelling with a legend such as “To be opened by the AC Chairman/Non-Independent Non-Executive Chairman/CEO or Head of Human Resources only” (where applicable):-</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>For matters relating to financial reporting, unethical or illegal conduct, one can report directly to the following designated persons:-</p> <p>(1) AC Chairman Encik Abdul Aziz Bin Zainal Abidin at e-mail address: aazizzabidin59@gmail.com; or</p> <p>(2) Non-Independent Non-Executive Chairman Madam Lee at e-mail address: mffoo@vstecs.com.my; or</p> <p>(3) Chief Executive Officer Mr. Soong at e-mail address: jhsoong@vstecs.com.my</p> </div> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>For employment-related concerns, one can report directly to the following designated persons:-</p> <p>(1) Head of Human Resources Ms. Shirley Yee at e-mail address: cyyee@vstecs.com.my; or</p> <p>(2) Chief Executive Officer Mr. Soong at e-mail address: jhsoong@vstecs.com.my</p> </div> <p>For FY2021, there was one whistleblowing report being made and was duly investigated and resolved by Management under the supervision of the AC.</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

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>Sustainability encompasses all aspects of ethical business practices, addressing relevant Environment, Social and Governance ("ESG") issues responsibly and profitably.</p> <p>The Board has been proactively considering sustainability matters, in particular the ESG issues during FY2021 when it receives the strategic planning updates by the CEO.</p> <p>In respect of risk management oversight, the AC and Board received updates from ERM Committee on changes to risk rankings and risk mitigation measures on a quarterly basis.</p> <p>To further enhance the role of the ERM in tandem with the emphasis on ESG considerations, the Board has established two sub-committees under ERM Committee, chaired by key senior management personnel:-</p> <table border="1"><tr><td>Environmental, Social and Governance Committee ("ESGC")</td><td>Chaired by Chief Financial Officer ("CFO"), Chan Puay Chai ("Mr. Chan")</td></tr><tr><td>Health and Safety Committee</td><td>Chaired by Senior Manager (Network), Puah Chau Seng</td></tr></table> | Environmental, Social and Governance Committee ("ESGC") | Chaired by Chief Financial Officer ("CFO"), Chan Puay Chai ("Mr. Chan") | Health and Safety Committee | Chaired by Senior Manager (Network), Puah Chau Seng |
| Environmental, Social and Governance Committee ("ESGC") | Chaired by Chief Financial Officer ("CFO"), Chan Puay Chai ("Mr. Chan") | | | | | |
| Health and Safety Committee | Chaired by Senior Manager (Network), Puah Chau Seng | | | | | |
| Explanation for departure | : | | | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | | | | |

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| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group recognises the importance of sustainability and its increasing impact to the business. The Group is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.</p> <p>The Board has adopted a Sustainability Policy which apply to the Group. The Company will a set of long-term and short-term targets for its sustainability efforts. The targets must be along with metrics for measurement, tracking and reporting. The Company will integrate the metrics into the Company's performance management as part of the sustainability strategy.</p> <p>A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.vstecs.com.my.</p> <p>The Company will compile reports on sustainability performance on a periodic basis and disclose the results to the public through various channels to develop a better understanding of their needs and expectations as below:-</p> <ul style="list-style-type: none">• Internal – Intranet portal, emails, employee engagement etc; and• External – annual report, corporate website, social media, events, roadshows, general meetings, quarterly financial announcements, etc. |
| 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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| Timeframe | : | | |
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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 Board, through the NC, assesses the training programmes attended by each Director during the financial year to ensure they are kept abreast of the latest development in the industry, as well as emerging sustainability issues that are relevant to the Group.</p> <p>For FY2021, the Board received industry briefing update by IDC and being kept abreast with sustainability issues relevant to the Group and its businesses.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.4

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 | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | For FY2021, the Board had departed from the recommendation of Practice 4.4 of the MCGG 2021 as the elements on reviewing the performance of the Board addressing the Group's material sustainability risks and opportunities were absent in the Board Effectiveness Evaluation for the financial year ended 31 December 2021. | |
| | | The Board has adopted a Sustainability Policy where the Company will integrate the metrics of measuring, tracking and reporting the Company's sustainability targets into the Company's performance management as part of the sustainability strategy. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | The Board would include the assessment on the Board's understanding on sustainability issues that are critical to the Group's performance into the Board Effectiveness Evaluation for the financial year ending 31 December 2022. | |
| Timeframe | : | Within 1 year | |

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 | : | Adopted |
| Explanation on adoption of the practice | : | <p>The Board has designated Mr. Chan, the CFO as the Head of ESGC.</p> <p>As a key senior management personnel, Mr. Chan has been tasked to lead the ESGC with the following key responsibility areas:-</p> <ul style="list-style-type: none">• Identify, evaluate and manage environmental impacts arising from business operations; and• Identify, address and improve on workforce environment and social well-being. |

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 NC continues to discharge their functions, review and consider refresh the composition of the Board periodically and to review the tenure of each Director and recommend Directors who are retiring by rotation for re-election which clearly stated in the Terms of Reference ("TOR") of NC.</p> <p>The NC annually reviews the performance of all directors including those seeking re-election based on competency, preparedness and independence (for INEDs). Only those with satisfactory evaluation are recommended to the Board 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 5.2

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>For FY2021, the Board of the Company consists of six (6) members, excluding the late Mr. Foo as the Chairman of the Board, comprising one (1) Executive Director and five (5) Non-Executive Directors, of whom four (4) are INEDs and therefore the prescribed requirement for one-third of the membership of the Board to be independent Board members is fulfilled. This also applies to Practice 4.1 of the MCCG 2021 where at least half of the Board comprises independent directors. This independent element brings an objective and independent judgement to the decision-making process of the Board.</p> <p>The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. The composition of the Board provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, corporate affairs, legal and technical areas of the industry in which the Group operates. The individuality and vast experience of the Directors in arriving at collective decisions at board level will ensure impartiality.</p> <p>The Board has put in place the following Board Committees to assist in carrying out its fiduciary duties:-</p> <ul style="list-style-type: none">• AC;• NC; and• RC. <p>All of these Committees have written TOR clearly outlining their objectives, duties and powers. The final decisions on all matters are determined by the Board as a whole.</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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| Timeframe | : | | |
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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 | : | <p>As disclosed in the Board Charter, the tenure of an INED shall not exceed a cumulative term of nine (9) years unless it is recommended by the NC and the Board is satisfied that he or she is able to continue bring independent judgement to the Board deliberations.</p> <p>Mr. Wong ("Mr. Wong") was appointed as an INED of the Company on 8 August 2012, whereby he would have served in that capacity for a cumulative term of more than nine (9) years.</p> <p>The Board vide the NC after having assessed of the independence of Mr. Wong regarded him to be independent, recommends that the approval of the shareholders be sought to retain Mr. Wong to continue in office as INED based on the following justifications:-</p> <ul style="list-style-type: none">• He has fulfilled the criteria under the definition of an Independent Director pursuant to the Main LR;• He is able to exercise independent judgement and act in the best interests of the Company;• There is no potential conflict of interest that Mr. Wong could have with the Company as he has not entered into any contract or transaction with the Company and/or its subsidiaries;• In recognition of his board seniority in terms of length of service on board as well as his good understanding of the Group's business and operations, the Board has identified and designated him as the Senior INED ("SINED") since 16 June 2020; and• There are significant advantages to be gained by the Board from Mr. Wong whom have many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history, and have provided invaluable contributions to the Board in his roles as an INED. |

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| 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

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 | : | |

Intended Outcome

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

Practice 5.5

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

| | | |
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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board through the NC, undergone the three-staged process as follows, for appointment of the Director:-</p> <ul style="list-style-type: none">• Stage 1: Review of the potential candidates based on the following criteria:-<ul style="list-style-type: none">- Qualifications;- Skills and competence;- Functional knowledge;- Experience;- Character;- Gender diversity;- Integrity and professionalism; and- Time commitment.• Stage 2: Board Gaps Review<ul style="list-style-type: none">- The overall composition of the Board;- Combination of skills of existing Directors; and- Any regulatory requirements and/or best practices available.• Stage 3: Recommendation to the Board<ul style="list-style-type: none">- The Board approves the appointment of Director <p>For FY2021 till the date of the issuance of this Report, the NC had reviewed the working experience, skills, capability and competencies of Ms. Cheryl Khor Hui Peng (“Ms. Cheryl”) and Madam Lee, and recommended their appointments as an INED and the Non-Independent Non-Executive Chairman of the Company, respectively, to the Board for approval. The Board would in turn, be recommending to shareholders their re-appointment at the forthcoming 26th AGM of the Company.</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 | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 5.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board uses a variety of sources for the identification of suitable candidates. The Board may rely on recommendations from the existing board members, Management and major shareholders as well as other independent sources.</p> <p>The NC is responsible for recommending suitable candidates to the Board for its consideration. The NC is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> <p>As disclosed in the Practice 4.4 of this CG Report, the Board has through the NC, undergone a three-staged review process for the appointment of new Director(s).</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 5.7

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The details of the Directors interest, position and experience are set out in the Directors' profile in the Annual Report. The performance of the retiring directors is assessed by the NC and the Board before recommendation is made to the shareholders for consideration. For INED, the NC also assesses their relationship with the executives that might influence, or reasonably be perceived to influence their capacity to bring an independent judgement and to act in the best interests of the Company as a whole. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 5.8

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 NC is chaired by Mr. Wong Heng Chong (“ Mr. Wong ”), who has on 16 June 2020 been re-designated as a SINED. His duties and responsibilities as a SINED are outlined in the Board Charter. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 5.9

The board comprises at least 30% women directors.

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|--|---|---|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Board has adopted the Board Diversity Policy to affirm its commitment to boardroom diversity as a truly diversified Board can enhance the Board's effectiveness, creativity and capacity to thrive in good times and weather tough times.</p> <p>A copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p>The NC is guided by the Board Diversity Policy to review and assess the Board's composition and to consider the benefits that flow from diversity and to appoint candidates based on merit and without prejudice. The NC has also undergone a three staged review process by reviewing the potential candidates based on the particular criteria, Board Gaps Review and Recommendation to the Board.</p> <p>For FY2021 till the date of the issuance of this Report, the Board currently consists of two (2) female directors who are as follows:-</p> <p>(a) Madam Lee, the Non-Independent Non-Executive Chairman; and</p> <p>(b) Ms. Cheryl, an INED, serves as a member of AC and RC.</p> <p>In this regard, the percentage of the Board's gender diversity stood at 28.57%, fairly close to the 30% as envisaged by this Practice.</p> <p>Moving forward, if the Board decides to increase its board size, then the Board would consider gender diversity as one of its key considerations in its search criteria prior to making any appointment of Director(s).</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : | Choose an item. |

Intended Outcome

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

Practice 5.10

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

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|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board has adopted the Board Diversity Policy to affirm its commitment to boardroom diversity as a truly diversified Board can enhance the Board's effectiveness, creativity and capacity to thrive in good times and weather tough times.</p> <p>A copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 6.1

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

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

| | |
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| <i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i> | |
| Application | : Applied |
| Explanation on application of the practice | : Each Director and Board Committee member completes the evaluation and submit the same online via a proprietary online assessment system developed internally by the Company. The NC reviews all the results of assessments upon completion by each Director and Board Committee member, and reports to the Board for notation. The NC conducted the following assessments annually and subsequently reported all results to the Board for notation:- (a) Directors' self-assessment and peer assessment survey In conducting the Survey, the following main criteria were adopted by the NC:- (i) Contribution to interaction; (ii) Quality of Input; and (iii) Understanding of Role. Based on the Survey conducted for FY2021, the NC was satisfied with the performance of the individual Directors. (b) Evaluation on the effectiveness of the Board of Directors and the Board Committees In conducting the Evaluation, the following main criteria were adopted by the NC:- <ul style="list-style-type: none">• Board Structure;• Board Operations;• Board Roles and Responsibilities; |

- Board Chairman’s Roles and Responsibilities; and
- CEO’s Roles and Responsibilities.

Based on the Evaluation conducted for FY2021, the NC was satisfied with the performance of the Board and Committees of the Board.

(c) Evaluation on the contribution of the CEO

The NC conducted an evaluation on the contribution of the CEO for FY2021 and was satisfied with the performance of the CEO.

(d) Evaluation on the contribution of the Non-Independent Non-Executive Chairman

The NC also conducted an evaluation on the contribution of the Non-Independent Non-Executive Chairman for FY2021 and was satisfied with the performance of the Non-Independent Non-Executive Chairman during his tenure with the Company.

(e) Annual Assessment of Independence of Directors

As stipulated under the Directors’ Assessment Policy, the Board adopts the concept of independence in tandem with the definition of Independent Director in Paragraph 1.01 of the Main LR of Bursa Securities through the assistance of the NC.

The Board noted that the Letters of Declaration by Independent Director have been executed by the following INEDs of the Company, confirming their independence pursuant to relevant Main LR of Bursa Securities and that they have undertaken to inform the Company immediately should there be any change which could interfere with the exercise of their independent judgement or ability to act in the best interest of the Company:-

- Mr. Wong;
- Dato’ Khoo Sin Aik;
- Encik Abdul Aziz Bin Zainal Abidin; and
- Ms. Cheryl.

Based on the outcome of the abovementioned assessments, the Board is satisfied with the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.

The Board considers that its Independent Directors provide objective and independent views on various issues dealt with at the Board and Board Committees level. All Non-Executive Directors are independent of management and free from any relationship. The Board is of the view that the current composition of INEDs fairly reflects the interest of minority shareholders in the Company through the Board representation.

| | | |
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| 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

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 7.1

The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The policies and procedures for determining the remuneration packages of the Directors and CEO of the Group are formalised in the form of a Directors' Remuneration Policy, adopted by the Board since 20 February 2013 and subsequently revised and updated on 25 April 2016 and 19 March 2018.</p> <p>The RC is guided by the Directors' Remuneration Policy which sets out the criteria to be used in recommending the remuneration package of Directors and CEO of the Company and designed to ensure that the Directors and CEO are paid a remuneration commensurate with the responsibilities of their positions.</p> <p>A copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</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 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 RC comprises exclusively of Non-Executive Directors, of whom two (2) are INEDs.</p> <p>The RC of the Company was formed to recommend to the Board the remuneration package of Executive Directors and Non-Executive Directors of the Company and its subsidiaries to attract, retain and motivate Directors.</p> <p>The remit of the RC is governed by the TOR of the RC. A copy of the TOR of the RC is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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 | : | <p>The detailed disclosure on named basis for the remuneration of individual Directors for FY2021 are appended in the table below.</p> <p>Note:-</p> <p>(a) The late Mr. Foo had deceased on 18 November 2021; and</p> <p>(b) Ms. Cheryl was appointed as an INED of the Company on 1 June 2021.</p> |

| No | Name | Directorate | Company ('000) | | | | | | | Group ('000) | | | | | | |
|----|------------------------------|--|-----------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|
| | | | Fee | Allowance | Salary | Bonus | Benefits-in-kind | Other emoluments | Total | Fee | Allowance | Salary | Bonus | Benefits-in-kind | Other emoluments | Total |
| 1 | Foo Sen Chin | Non-Executive Non-Independent Director | 76,000.00 | 5,000.00 | - | - | - | - | 81,000.00 | 80,000.00 | 5,000.00 | - | - | 20,000.00 | 330,000.00 | 435,000.00 |
| 2 | Soong Jan Hsung | Executive Director | 46,000.00 | - | - | - | - | - | 46,000.00 | 50,000.00 | - | 2,306,000.00 | - | 24,000.00 | - | 2,380,000.00 |
| 3 | Wong Heng Chong | Independent Director | 63,000.00 | 6,000.00 | - | - | - | - | 69,000.00 | 63,000.00 | 6,000.00 | - | - | - | 69,000.00 | |
| 4 | Dato' Khoo Sin Aik | Independent Director | 61,000.00 | 5,000.00 | - | - | - | - | 66,000.00 | 61,000.00 | 5,000.00 | - | - | - | 66,000.00 | |
| 5 | Abdul Aziz Bin Zainal Abidin | Independent Director | 66,000.00 | 7,000.00 | - | - | - | - | 73,000.00 | 66,000.00 | 7,000.00 | - | - | - | 73,000.00 | |
| 6 | Cheryl Khor Hui Peng | Independent Director | 32,000.00 | 3,000.00 | - | - | - | - | 35,000.00 | 32,000.00 | 3,000.00 | - | - | - | 35,000.00 | |
| 7 | Ong Wei Hiam | Non-Executive Non-Independent Director | 60,000.00 | 6,000.00 | - | - | - | - | 66,000.00 | 60,000.00 | 6,000.00 | - | - | - | 66,000.00 | |
| 8 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 9 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 10 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 11 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |

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

Intended Outcome

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

Practice 8.2

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

| Application | : | Departure | | | | | | | | | | |
|---|----------------------------|--|-------------------------|----------------------------|---------------------------|---|-----------------------|---|-----------------------|---|-----------------------|---|
| Explanation on application of the practice | : | | | | | | | | | | | |
| Explanation for departure | : | <p>The Company had disclosed the top five senior management's remuneration components in bands width of RM50,000/- but not on named basis due to confidentiality and sensitivity of each remuneration package:-</p> <table border="1"> <thead> <tr> <th>Remuneration Range (RM)</th> <th>Top Five Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM1,200,001 – RM1,250,000</td> <td>1</td> </tr> <tr> <td>RM750,001 – RM800,000</td> <td>1</td> </tr> <tr> <td>RM500,001 – RM550,000</td> <td>2</td> </tr> <tr> <td>RM450,001 – RM500,000</td> <td>1</td> </tr> </tbody> </table> <p>Alternative Practice:-</p> <p>The Board ensures that the remuneration of senior management is fair and commensurate with the performance of the Company and the contributions made by the senior management, but at the same time it is able to attract, retain and motivate the senior management to excel in their respective roles.</p> <p>The Board, via the RC, review on an annual basis, the following items:-</p> <ul style="list-style-type: none"> • Bonus payments to the senior management team – based on the recommendation of the CEO and the achievement of relevant key performance indicators; and • Salary increments to the senior management team – with the latest salary survey conducted by the Malaysian Employers' Federation as a reference point. | Remuneration Range (RM) | Top Five Senior Management | RM1,200,001 – RM1,250,000 | 1 | RM750,001 – RM800,000 | 1 | RM500,001 – RM550,000 | 2 | RM450,001 – RM500,000 | 1 |
| Remuneration Range (RM) | Top Five Senior Management | | | | | | | | | | | |
| RM1,200,001 – RM1,250,000 | 1 | | | | | | | | | | | |
| RM750,001 – RM800,000 | 1 | | | | | | | | | | | |
| RM500,001 – RM550,000 | 2 | | | | | | | | | | | |
| RM450,001 – RM500,000 | 1 | | | | | | | | | | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | | | | | | | | | | | |

| | | | |
|------------------|---|--|--|
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

| No | Name | Position | Company | | | | | |
|----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | | | Salary | Allowance | Bonus | Benefits | Other emoluments | Total |
| 1 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 2 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 3 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 4 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 5 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |

Intended Outcome

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

Practice 8.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

| No | Name | Position | Company ('000) | | | | | |
|----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | | | Salary | Allowance | Bonus | Benefits | Other emoluments | Total |
| 1 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 2 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 3 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 4 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 5 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.1

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | For FY2021 till the date of the issuance of this Report, the Chairman of AC is Encik Abdul Aziz Bin Zainal Abidin, an INED while the late Mr. Foo is the Non-Independent Non-Executive Chairman of the Board. Madam Lee was subsequently appointed as the new Non-Independent Non-Executive Chairman of the Board in place of the late Mr. Foo. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.2

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

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The TOR of the AC currently requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. | |
| | | None of the members of the Board were former key audit partners and notwithstanding the above provision and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of Board. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | The AC will update its TOR to comply with the recommendation of Practice 9.2 of the MCCG 2021. | |
| Timeframe | : | Within 1 year | |

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 formalised the policies and procedures to assess the suitability, objectivity and independence of external auditors vide an annual assessment of the suitability, objectivity and independence of the external auditors.</p> <p>In its assessment, the AC considered, inter alia, the following factors:-</p> <p>For assessment on "Suitability" of External Auditors:-</p> <ul style="list-style-type: none">• The External Auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with approved professional auditing standards and applicable regulatory and legal requirements;• To the knowledge of the AC, the External Auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Malaysian Institute of Accountants ("MIA") which has not been reserved by the Disciplinary Board of MIA;• The External Auditors firm has the geographical coverage required to audit the Group;• The External Auditors firm advises the AC on significant issues and new developments pertaining to risk management, corporate governance, financial reporting standards and internal controls on a timely basis;• The External Auditors firm consistently meets the deadlines set by the Group;• The level of quality control procedures in the external audit firm, including the audit review procedures; and• The External Auditors scope is adequate to cover the key financial and operational risks of the Group. <p>For assessment on "Objectivity" of External Auditors:-</p> <ul style="list-style-type: none">• The nature and extent of the non-audit services rendered and the appropriateness of the level of fees. |

| | | |
|---|--|--|
| | <p>For assessment on “Independence” of the External Auditors:-</p> <ul style="list-style-type: none"> • The engagement partner has not served for a continuous period of more than seven (7) years with the Company; • The AC receives written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and • Tenure of the current auditors. <p>The AC noted, for the financial year ended 31 December 2021, KPMG PLT, the External Auditors of the Group confirmed in writing that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.</p> <p>Upon completion of its assessment, the AC was satisfied with KPMG PLT’s technical competency, objectivity and audit independence during the financial year under review and recommended to the Board the re-appointment of KPMG PLT as External Auditors for the financial year ending 31 December 2022. The Board has in turn recommended the same for shareholders’ approval at the forthcoming 26th AGM of the Company.</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

There is an effective and independent Audit Committee.

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

Practice 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | |
|--|-------------|
| Application : | Not Adopted |
| Explanation on adoption of the practice : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, 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 | : | <p>In view of the AC Members' Self and Peer Evaluation undertaken by each AC member, the AC as a whole is financially literate. The members of the AC have the relevant accounts or related experience and expertise in financial service industry to effectively discharge their duties.</p> <p>The qualification and experience of the individual AC members are disclosed in the Board of Directors' Profile of the Annual Report.</p> <p>All the members of the AC received ongoing trainings and development as detailed in Practice 2.1 of this Report.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 10.1

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

| Application | : | Applied | | | | | | | | | | | | | | | | | | | | | | | | |
|---|----------|--|------|----------|-------------|---------------------------------|---------|---|-----------------|----------|-------------------------|--------------|--------|-----------------------|----------------|--------|-------------------------|----------------|--------|--|-------------|--------|---|----------------|--------|---------------------------|
| Explanation on application of the practice | : | <p>The Directors are responsible for the Group's system of internal controls and its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of the Group's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.</p> <p>The Board has adopted an ERM Framework to manage its risk and opportunities. A Management Committee known as the ERM Committee which reports directly to the AC was established by the Board, with the primary responsibility of ensuring the effective functioning of the adopted ERM Framework.</p> <p>The ERM Committee comprises six (6) members from the Senior Management Team and chaired by the CEO who is also the Board's representative. The composition of the ERM Committee is as follows:-</p> <table border="1"><thead><tr><th>Name</th><th>Position</th><th>Designation</th></tr></thead><tbody><tr><td>Lee Marn Fong @ Wu Marn Fong</td><td>Advisor</td><td>Non-Independent Non-Executive Chairman</td></tr><tr><td>Soong Jan Hsung</td><td>Chairman</td><td>Chief Executive Officer</td></tr><tr><td>Tee Ang Kuan</td><td>Member</td><td>Group General Manager</td></tr><tr><td>Chan Puay Chai</td><td>Member</td><td>Chief Financial Officer</td></tr><tr><td>Chuah Kee Heng</td><td>Member</td><td>General Manager (VSTECS Astar Sdn. Bhd.)*</td></tr><tr><td>Li Chin Yeo</td><td>Member</td><td>General Manager (VSTECS Pericomp Sdn. Bhd.)*</td></tr><tr><td>Foo Lek Choong</td><td>Member</td><td>Chief Information Officer</td></tr></tbody></table> <p>*Wholly-owned subsidiaries of VSTECS Berhad.</p> <p>The ERM Committee is responsible for implementing processes in identifying, evaluating, monitoring and reporting of risks and internal controls. The risk profile covering risk assessment, classification and risk ranking followed by action plans taken to mitigate the risks identified are then presented to the AC for review on a quarterly basis. The ERM Committee together with the operating units will ensure the timely resolution of outstanding issues and implementation of action plans</p> | Name | Position | Designation | Lee Marn Fong @ Wu Marn Fong | Advisor | Non-Independent Non-Executive Chairman | Soong Jan Hsung | Chairman | Chief Executive Officer | Tee Ang Kuan | Member | Group General Manager | Chan Puay Chai | Member | Chief Financial Officer | Chuah Kee Heng | Member | General Manager (VSTECS Astar Sdn. Bhd.)* | Li Chin Yeo | Member | General Manager (VSTECS Pericomp Sdn. Bhd.)* | Foo Lek Choong | Member | Chief Information Officer |
| Name | Position | Designation | | | | | | | | | | | | | | | | | | | | | | | | |
| Lee Marn Fong @ Wu Marn Fong | Advisor | Non-Independent Non-Executive Chairman | | | | | | | | | | | | | | | | | | | | | | | | |
| Soong Jan Hsung | Chairman | Chief Executive Officer | | | | | | | | | | | | | | | | | | | | | | | | |
| Tee Ang Kuan | Member | Group General Manager | | | | | | | | | | | | | | | | | | | | | | | | |
| Chan Puay Chai | Member | Chief Financial Officer | | | | | | | | | | | | | | | | | | | | | | | | |
| Chuah Kee Heng | Member | General Manager (VSTECS Astar Sdn. Bhd.)* | | | | | | | | | | | | | | | | | | | | | | | | |
| Li Chin Yeo | Member | General Manager (VSTECS Pericomp Sdn. Bhd.)* | | | | | | | | | | | | | | | | | | | | | | | | |
| Foo Lek Choong | Member | Chief Information Officer | | | | | | | | | | | | | | | | | | | | | | | | |

| | | |
|---|--|--|
| | <p>that are to be carried out and completed within the reasonable timeframe to mitigate the risks level.</p> <p>The internal controls are tested for effectiveness and efficiency two cycles per financial year via an Independent Outsourced Internal Audit function. The report of the Internal Audit is tabled for the AC's review and comments, and the audit findings will then be communicated to the Board.</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

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

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

Practice 10.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The ERM Committee is responsible for implementing processes in identifying, evaluating, monitoring and reporting of risks and internal controls. The risk profile covering risk assessment, classification and risk ranking followed by action plans taken to mitigate the risks identified are then presented to the AC for review on a quarterly basis. The ERM Committee together with the operating units will ensure the timely resolution of outstanding issues and implementation of action plans that are to be carried out and completed within the reasonable timeframe to mitigate the risks level.</p> <p>As part of the risk mitigation measures, the Board has established the following policies:-</p> <p>(i) Insider Dealing Policy</p> <p>Insider dealing or trading is defined as the purchase or sale of the Company's securities affected by or on behalf of a person with knowledge of relevant but non-public material information regarding that company. The insider is in a position to make massive gains by selling or buying securities before information that might affect the price of the Company's securities (price-sensitive information) is made public.</p> <p>This policy aims mainly to prevent insider dealing of securities and ensure transparency and fairness in dealing with all stakeholders of the Group.</p> <p>This Policy has been revised on 25 April 2016 and an updated copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.vstecs.com.my.</p> <p>(ii) Succession Planning Policy</p> <p>The Succession Planning Policy is intended to address the Group's continuity in leadership for all key positions.</p> |

| | |
|---|---|
| | <p>Succession planning is an on-going process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation for high level management positions that become vacant due to retirement, resignation, death or disability and/or new business opportunities.</p> <p>A copy of this Policy is available for viewing under the “Corporate Governance” section of the Company’s corporate website at www.vstecs.com.my.</p> <p>(iii) Related Party Transaction Policy</p> <p>The Company is principally an investment holding company which is also involved in the provision of E-Commerce systems and solutions. It is anticipated that the Group would, in ordinary course of business, enter into transactions of a revenue or trading nature with a related party or parties.</p> <p>The Board has formalised a RPT Policy which is designed to ensure the RPTs carried out in the ordinary course of business, are made at arm’s length and on normal commercial terms which are not more favourable to the related party or parties than those generally available to the public and are not on terms that are detrimental to the minority shareholders of the Company.</p> <p>This policy also aims to comply with the Part E, Paragraphs 10.08 and 10.09 of the Main LR of Bursa Securities.</p> <p>A copy of this Policy is available for viewing under the “Corporate Governance” section of the Company’s corporate website at www.vstecs.com.my.</p> <p>The internal controls are tested for effectiveness and efficiency two cycles per financial year by an Independent Outsourced Internal Audit service provider. Their report of the Internal Audit is tabled for the AC’s review and comments, and the audit findings will then be communicated to the Board.</p> <p>Separately, the Company maintains an In-House IAD as an additional internal control mechanism. The In-House IAD communicate regularly with and report directly to the AC. For FY2021, the In-House IAD met up four (4) times with the AC.</p> <p>The Statement on Risk Management and Internal Control of the Group in the Annual Report provides an overview of the state and features of risk management and internal controls within the Group.</p> |
| <p>Explanation for departure</p> | <p>:</p> |

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

Intended Outcome

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 | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

| | |
|---|--|
| Application | : Applied |
| Explanation on application of the practice | <p>The Outsourced Internal Auditors and In-House IAD communicate regularly with and report directly to the AC. For FY2021, the Outsourced Internal Auditors' representative met up three (3) times with the AC.</p> <p>The Internal Audit Review of the Company's operations encompasses an independent assessment of the Company's compliance with its internal controls and makes recommendations for improvement.</p> <p>Outsourced Internal Auditors</p> <p>At the AC Meeting held on 4 November 2020, the Outsourced Internal Auditors have presented to the AC the Internal Audit Function's Annual Audit Plan ("the Outsourced Annual Audit Plan") for year 2021, encompassing the following audit visits and timing:-</p> <p>(a) First Visit (January – June 2021)</p> <p>VSTECS Group</p> <ul style="list-style-type: none">• Order Processing and Billing• Collection and Credit Controls• Compliance Review for Section 17A of the MACC Act 2009• Half-yearly RRPT Review <p>(b) Second Visit (July - December 2021)</p> <p>VSTECS Group</p> <ul style="list-style-type: none">• Human Resource Management and Payroll Function• General Security and Safety Management• Business Risk Management Process• Half-yearly RRPT Review <p>The AC has resolved that the Outsourced Annual Audit Plan for year 2021 be approved for adoption.</p> <p>During FY2021 till the date of the issuance of this Report, the Outsourced Internal Auditors have successfully completed their audit visits and reporting as per the approved Outsourced Annual Audit Plan 2021.</p> |

| | |
|---|---|
| | <p>In-House Internal Audit Department</p> <p>The In-House IAD communicate regularly with and report directly to the AC. For FY2021, the In-House IAD met up four (4) times with the AC.</p> <p>At the AC Meeting held on 4 November 2020, the In-House Internal Audit Manager has presented to the AC the In-House Internal Audit Function’s Audit Plan for year 2021, encompassing the following key areas:-</p> <ul style="list-style-type: none"> • Account Payable Management – First Quarter 2021 • Budgetary Control and Monitoring – Second Quarter 2021 • ABC Compliance – Third Quarter 2021 • Human Resource System – Third Quarter 2021 • ERM Review – Fourth Quarter 2021 <p>The AC has subsequently approved the In-House Audit Plan for year 2021.</p> <p>During FY2021 till the date of the issuance of this Report, the In-House IAD have successfully completed their audit assignments and reporting as per the approved In-House Audit Plan for year 2021.</p> <p>Internal Audit Assessment</p> <p>The AC had conducted an Internal Audit Assessment annually to review the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it has the necessary authority to carry out its work and to perform its function effectively in accordance with relevant professional standards.</p> |
| <p>Explanation for departure</p> | <p>:</p> |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | |
| <p>Measure</p> | <p>:</p> |
| <p>Timeframe</p> | <p>:</p> |

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.2

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.

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|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | Further details of the internal audit functions were disclosed in the Report of the AC in the Company's Annual Report 2021. | |
| Explanation for departure | : | | |
| | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 12.1

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

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|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations.</p> <p>The Board has developed internal corporate disclosure practices to ensure communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.</p> <p>The Board has adopted the Corporate Disclosure Policy to ensure only designated spokespersons will be authorised to disseminate information to ensure consistent and accurate flow of information disclosure to the stakeholders.</p> <p>The Company has a website which is accessible at www.vstecs.com.my.</p> <p>The Board has designated a limited number of spokespersons who responsible for communication with investment community, regulators and media.</p> <p>Primary Spokespersons:-</p> <p>(i) CEO</p> <p>The Company's CEO has been appointed to communicate with audience constituents and respond to questions in relation to the corporate vision, strategies, developments, future prospects, financial plans and operational matters.</p> <p>Secondary Spokesperson:-</p> <p>(i) CFO/Company Secretary</p> <p>The CFO/Company Secretary may only communicate to audience constituents on information already in the public domain, unless they</p> |

are authorised by the Primary Spokespersons to undertake broader communications.

The Company is committed to on-going communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports.

The Company provides regular investor briefings with research analysts and fund managers, to promote clear and transparent communications to the investment community.

Analysts and media briefings

The Group has carried out the engagement activities during FY2021 as set out below:-

| |
|---|
| 24 February 2021 Press Release on 4Q 2020 Results |
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| 18 May 2021 Twenty-Fifth AGM |
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| 19 May 2021 Press Release on 1Q 2021 Results |
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| 19 August 2021 Press Release on 2Q 2021 Results | 2 September 2021 Research Report posted on 2Q 2021 |
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|---|
| 11 November 2021 Press Release on 3Q 2021 Results |
|---|

The Company's website at www.vstecs.com.my serves as a plethora of information to the public, which includes, inter alia, corporate information, business activities, corporate governance matters, latest press releases, annual reports, financial results, news listing, Business to Business ("B2B") online and etc.

The Company has created two (2) dedicated sections to ensure more effective dissemination of information:-

- (a) A dedicated "**Investor Relations**" section which provides all relevant information on the Group and is accessible by the public. It includes all the announcements made by the Company, Annual

| | |
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| | <p>Reports, Summary of Key Matters Discussed at the AGM, Corporate Presentation for the Quarterly Financial Results and etc. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to such information.</p> <p>The Company had published its summary of key matters discussed at the Twenty-Fifth (“25th”) AGM on its corporate website under the “Financial Information” section at www.vstecs.com.my in complied with the Paragraph 9.21(2)(b) of the Main LR of Bursa Securities.</p> <p>(b) A dedicated “Corporate Governance” section which provides access to various policies and statements (as mentioned in the various sections of this Statement), duly made available and updated for the ease of reference by stakeholders.</p> |
| <p>Explanation for departure</p> | <p>:</p> |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | |
| <p>Measure</p> | <p>:</p> |
| <p>Timeframe</p> | <p>:</p> |

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.

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|--|---|--------------------------------------|--|
| Application | : | Not applicable – Not a Large Company | |
| Explanation on application of the practice | : | | |
| 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

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Annual Report, which contains the Notice of AGM, was sent to shareholders at least twenty-eight (28) days prior to the date of the meeting to give sufficient time to shareholders to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys as well as to let the shareholders to consider the resolutions that will be discussed and decided at the AGM. The Notice of AGM, which sets out the businesses to be transacted at the AGM, is to be published in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to Bursa Securities.</p> <p>The Board had on 19 April 2021, issued its Notice of 25th AGM of the Company, at least twenty-eight (28) days prior to the date of the meeting i.e., 18 May 2021, in line with the recommendation of Practice 13.1 of the MCCG 2021. The notes to the Notice of 25th AGM provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>All Board members had presented at the broadcast venue or attended remotely the following general meetings of the Company and provided responses to the shareholders on the key matters arose during the Meeting via live streaming webcast, in view of the Covid-19 pandemic and in compliance with the Guidance Note and Frequently Asked Questions (“FAQs”) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia (“SC”):-</p> <p>(a) 25th AGM held on 18 May 2021; and (b) Extraordinary General Meeting held on 16 July 2021.</p> <p>The Chairman of AC, NC and RC were also present on screen to address any questions from shareholders in respect of matters that fall under the purview of the Board Committees.</p> <p>Mr. Soong, the CEO had presented a short review of the Company’s 2020 performance and key initiatives for 2021 to the shareholders on operations highlights, financial snapshot, growth strategies and investment highlights at the 25th AGM of the Company.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Both the 25th AGM and EGM of the Company were held via live streaming webcast and online remote voting using the remote participation and voting (“RPV”) facilities, provided by SS E Solutions Sdn. Bhd. via its Securities Services e-Portal (“SSeP”) at https://www.sshsb.net.my/, without physical attendance by shareholders, proxy and corporate representatives in view of the Covid-19 pandemic and in compliance with the Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the SC.</p> <p>By utilising the RPV facilities via SSeP, the shareholders were able to remotely participate, speak (by way of posing questions to the Board via real time submission of typed texts) and cast their votes at both the 25th AGM and EGM of the Company through the SSeP.</p> <p>The voting at the 25th AGM and the EGM were conducted by way of poll in accordance with Paragraph 8.29A of the Main LR of Bursa Securities. The Company had appointed SS E Solutions Sdn. Bhd. as Poll Administrator to conduct the electronic polling process and Commercial Quest Sdn. Bhd. as Independent Scrutineers to verify the results of the poll voting.</p> <p>The poll voting results were tabled to the shareholders after the same has been verified by the appointed Independent Scrutineer. Poll voting results are announced on the same day through BursaLINK services.</p> <p>In light of the Covid-19 pandemic, the Company will continue to conduct its forthcoming 26th AGM virtually via live streaming webcast and using RPV facilities to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at the forthcoming 26th AGM in accordance with the Company’s Constitution. The shareholders who attend the forthcoming AGM via RPV facilities could also submit their questions during the meeting for the Board to respond.</p> |

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| 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

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

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| <i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i> | |
| Application | : Applied |
| Explanation on application of the practice | : The 25 th AGM held on 18 May 2021 was a hybrid meeting with a broadcast venue while the EGM held on 16 July 2021 was a fully virtual meeting. The shareholders were allowed to submit their questions electronically through the online platform provided by SS E Solutions Sdn. Bhd. via SSeP at https://sshsb.net.my/ prior to the Meetings, or used the query box to transmit questions to the Board via RPV facilities during live streaming of the Meetings. The Chairman of the Meetings had also informed the shareholders during the live streaming of the Meetings that they could submit their questions and comments to the Board during the Meetings via the RPV facilities; and the answers to all the questions were addressed accordingly before the commencement of the poll voting. Shareholders were given sufficient opportunity to pose their questions before and during the Meetings. The Company had ensured that all the questions were answered. |
| Explanation for departure | : |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : |
| Timeframe | : |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

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| <i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i> | |
| Application | : Applied |
| Explanation on application of the practice | : In view of the Covid-19 pandemic, the 25 th AGM held on 18 May 2021 was a hybrid meeting with a broadcast venue while the EGM held on 16 July 2021 was a fully virtual meeting. The RPV facilities hosted on SSeP at https://sshshb.net.my/ provided by SS E Solutions Sdn. Bhd. allowed shareholders to pose questions to the Board and the Chairman of the Meetings via typed text in the query box. The shareholders submitted their questions at any time from the day of notice of the Meetings and up to the time when the Meeting were in progress. At the “Questions and Answers” session in the agenda of the Meetings, the SSeP platform had the facilities to live broadcast the questions/remarks and answers, and the shareholders had experienced real time interaction with the Board during the Meetings. The questions and answers were subsequently posted on the Company’s corporate website. |
| Explanation for departure | : |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : |
| Timeframe | : |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.6

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

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| <i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i> | |
| Application | : Departure |
| Explanation on application of the practice | : |
| Explanation for departure | : For year 2021 due to the various forms of travel restrictions/ lockdown by governments in several countries which were residing by the Directors, including Malaysia, Singapore, China, the Minutes of the general meeting could not be tabled to the Board for perusal within a short period of thirty (30) days. As an alternative practice and interim measure, the summary of key matters discussed at the 25 th AGM which summarised the agenda item, questions raised together with the answers and the decisions reached was uploaded onto the Company's corporate website at https://www.vsteecs.com.my/financials.html . The Company will upload the minutes of the 26 th AGM within thirty (30) business days onto the Company's corporate website for 2022. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : The Company intend to adopt this Practice for the 26 th AGM in year 2022. |
| Timeframe | : Within 1 year |

**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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