

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5219
COMPANY NAME : PESTECH International Berhad
FINANCIAL YEAR : June 30, 2022

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Based on the Company's Board Charter, the Board's primary responsibilities, based on a predetermined assessment of materiality, include giving strategic direction to the Company, identifying key risk areas and key performance indicators of Company's business, monitoring investment decisions, considering significant financial matters, and reviewing the performance of executive management against business plans, budgets and industry standards.</p> <p>The Board is explicitly responsible for the stewardship of the Company and in discharging its obligations, the Board assumes responsibility in the following areas:-</p> <ul style="list-style-type: none">(a) retain full and effective control over the Company, and monitor management in implementing Board plans and strategies;(b) ensure that a comprehensive system of policies and procedures is operative;(c) identify and monitor non-financial aspects relevant to the business;(d) ensure ethical behaviour and compliance with relevant laws and regulations audit and accounting principles, and the company's own governing documents and codes of conduct;(e) strive to act above and beyond the minimum requirements and benchmark performance against international best practices and not only to comply in practice, but be seen to comply;(f) define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions;(g) act responsibly towards the Company's relevant stakeholders; and(h) be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principles is reviewed regularly. |

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| | <p>Having regard to its role, the Board is concerned with key elements of the governance processes underpinning the operation of the company with particular attention to the following: -</p> <ul style="list-style-type: none"> (a) review the strategic direction of the Company and adopt business plans proposed by management for the achievement thereof; (b) approve specific financial and non-financial objectives and policies proposed by management. (c) review processes for the identification and management of business risk and processes for compliance with key regulatory and legal areas; (d) delegate authority for capital expenditure and review investment, capital and funding proposal reserved for Board approval; (e) review succession planning for the management team and endorse senior executive appointments, organizational changes and high level remuneration issues; (f) provide oversight of performance against targets and objectives; and (g) provide oversight of reporting to shareholders on the direction, governance and performance of the company as well as other processes that need reporting and other disclosure requirements <p>Apart from the above, the Board has also delegated specific responsibilities to several Board Committees and the ultimate responsibility on all matters lies with the entire Board.</p> <p>The Board has adopted a schedule of matters specifically reserved for its approval which include, amongst others, reviewing and approving the following:</p> <ul style="list-style-type: none"> (a) the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations in business plans; (b) new investments, divestments, mergers or acquisitions exercises and/or fund raising activities; (c) the approvals of annual financial statements, and unaudited quarterly results prior to release to Bursa Malaysia Securities Berhad; (d) Appointments to and removals from the Board including the appointment of the Executive Chairman, Managing Director and Group Chief Executive Officer, Executive Directors and Non-Executive Directors. |
| <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> | |

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Intended Outcome

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

Practice 1.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Our Chairman, Mr. Lim Ah Hock ("Mr. Lim") is the Executive Chairman of the Company. He provides leadership to the Board in its oversight of management and ensures effective functioning of the Board.</p> <p>The Executive Chairman is elected by the Board and will preside at all Board meeting and general meetings of the Company. The Executive Chairman will ensure procedural rules are followed in the conduct of meetings and that decisions are formally recorded and adopted.</p> <p>Some of the specific responsibilities of the Chairman include to ensure:-</p> <ul style="list-style-type: none">• the integrity and effectiveness of the governance process of the Board.• that the content and order of the agenda are appropriate and that the members of the Board have the relevant papers in good time.• regular dialogue with the Managing Director and Group Chief Executive Officer ("MD and GCEO") over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him or her cause for major concern.• that no member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming. <p>With over four (4) decades of entrepreneurial experience, Mr. Lim contributes his experience and expertise in leading the Board in charting major corporate development plans, steering macro business growth direction of our Group together with the stewardship of our MD and GCEO, monitor the overall financial wellbeing and activities of our Group.</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> | | |
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Intended Outcome

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

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The roles of the Chairman and Group Chief Executive Officer (“GCEO”) are held by different individual. The distinct and separate roles of the Chairman and GCEO with their clear division of responsibilities ensures that there is a balance of power and authority, such that no one has unfettered decision-making powers.</p> <p>The Executive Chairman, Mr. Lim Ah Hock is responsible for providing leadership to the Board and ensuring smooth and effective functioning of the Board whereas the MD and GCEO, Mr. Paul Lim Pay Chuan is responsible for overseeing the day-to-day management of the Group’s businesses and implementing Board’s policies and decisions.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
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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 1.4

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

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| <i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i> | |
| Application : | Departure |
| Explanation on application of the practice : | |
| Explanation for departure : | <p>The Chairman of the Board, Mr. Lim Ah Hock is not a member of the Audit Committee, Nomination Committee and Remuneration Committee.</p> <p>Occasionally, the Chairman of the Board was invited to join in some of the committee meetings to receive the presentations from the external service providers, i.e., external auditors and internal auditors so that he is able to understand the financial matters and internal control issues directly from them. This may allow the Chairman to raise questions and provide feedback to them meaningfully.</p> <p>The participations and deliberations of Board Chairman in the committee meetings were duly received and minuted at the committee meetings. However, he had, at all times, abstained from any voting or decision making to avoid any conflict of interests' situation.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure : | |
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Intended Outcome

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 Company Secretaries of the Company are Fellow members of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) and member of the Malaysian Institute of Accountants (“MIA”). They are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016.</p> <p>The Company Secretaries assist the Board and its Committees to function effectively and in accordance with their respective Terms of Reference and best practices and ensuring adherence to the existing Board policies and procedures. The Company Secretaries are responsible to ensure the proper conduct of the meetings according to the rules and regulation. They also ensure that the Board’s deliberations at meetings are properly minuted. The Company Secretaries always supported the Board and played an important role to facilitate the overall compliance with the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other relevant laws and regulations.</p> <p>The Company Secretaries had attended the necessary training programmes, conferences, seminars and/or forums organised by the Companies Commission of Malaysia, MAICSA, MIA, Securities Commission Malaysia and Bursa Malaysia Securities Berhad to keep themselves abreast with the current regulatory changes in laws and regulatory requirements that are relevant to their profession and to provide the necessary advisory role to the Board.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
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Intended Outcome

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>All Directors are furnished with the relevant agenda and Board Papers at least seven (7) days or such earlier period as agreed by the Board prior to each meeting.</p> <p>The Board Papers includes, among others, the minutes of previous meetings of the Board and Committees, summary of dealings in shares by the Directors, Directors' written resolutions, reports on the Group's financial statements and list of announcements made to Bursa Malaysia Securities Berhad.</p> <p>All Directors also ensure that the minutes of Board Meetings reflect the deliberations and decisions of the Board including whether any Directors had abstained from voting/deliberating on a particular matter.</p> <p>The minutes of the meeting will be circulated to all Directors and tabled at next meeting for confirmation. The minutes of the meeting are duly signed by the Chairman and properly kept at the Registered Office.</p> <p>For matters which require the Board's decision on urgent basis outside of Board Meetings, board papers along with resolutions in writing will be circulated for the Board's consideration. All written resolutions approved by the Board are tabled for notation at the next Board Meeting.</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 | : | |
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Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

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

Practice 2.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>A Board Charter had been adopted and periodically reviewed by the Board for updates on new and improved practices and governance standards. The Board had reviewed the Board Charter on 13 October 2022 to ensure the Board's responsibilities stated therein are in line with the Companies Act 2016, requirements of the Malaysian Code of Corporate Governance and Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board Charter can be viewed on the Company's corporate website at www.pestech-international.com.</p> <p>The Board Charter describes concisely the roles and responsibilities of the Board, Board Committees, individual Director and Management, as well as the issues and decisions reserved for the Board to facilitate the Board in discharging its fiduciary and leadership functions.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
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Intended Outcome

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

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

Practice 3.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is guided by the Code of Conduct which sets out the values, principles and guidelines on how the Company conducts its business to ensure integrity and accountability.</p> <p>The Code of Conduct is published on the Company's corporate website at www.pestech-international.com.</p> <p>All employees and Directors of the Company are required to declare that they have received, read and understood the provisions of the Code of Conduct and agreed to comply with its terms throughout their employment or tenure with 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 | : | |
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Intended Outcome

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

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

Practice 3.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has formalised a Whistleblowing Policy with mechanisms to confidentially and anonymously bring to the attention of the Audit Committee, any concerns related to matters covered by the Company's Code of Conduct and ethics.</p> <p>The Whistleblowing Policy provides contact details as below for the employees or relevant parties to raise concerns or non-compliance:-</p> <p>Email : whistleblower@pestech-international.com By phone : +603 7845 2186 By fax : +603 7845 2187 By mail to : No 26, Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board delegates the governance of sustainability to the Business Sustainability Working Group (“BSWG”). BSWG is tasked to drive the sustainability initiative in line with the Global Reporting Initiatives Standards and strategic thrust from the Board by:</p> <ol style="list-style-type: none">1. determining and assessing the governance and economic, environmental and social (“EES”) risks based on the sustainability development goals and objectives set by the Board;2. responsible for stakeholders’ management, material assessment and keeping track of sustainability initiatives; and3. responsible for obtaining, collecting and analysing data and information from various departments and understands the importance of sustainability matters in each department. <p>During the financial year ended 30 June 2022, the Company had also engaged with Tricor Axcelasia Sdn. Bhd. to develop an enhanced sustainability framework of the Group for the purpose of updating and formalising it in a more structured manner to be served as a guidance for our senior management to drive the sustainability agenda across the Group.</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> | | |

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| Measure | : | | |
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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 4.2

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>During the financial year ended 30 June 2022, the Company had engaged with Tricor Axcelasia Sdn. Bhd. to develop an enhanced sustainability framework of the Group for the purpose of updating and formalising it in a more structured manner as a guidance for our senior management to drive the sustainability agenda across the Group.</p> <p>The Board had on 13 July 2022 reviewed the sustainability GAP analysis and the following key action plans were proposed for enhancement:</p> <ol style="list-style-type: none">1. To improve sustainability reporting based on Global Reporting Index and the Listing Requirements of Bursa Malaysia Securities Berhad by establishing short, medium and long-term sustainability plan including targets, action plans and to define the methods for determining material sustainability matters in detailed.2. Full integration to business strategies, relevant Key Performance Indicators to ensure achievement in FTSE4GOOD and Task Force on Climate-related Financial Disclosures (“TCFD”) requirements.3. Performance evaluations of the Board and Senior Management to include a review of how well they have handled and addressed the Company's material sustainability risks and opportunities.4. The Board shall appoint a dedicated person who is well-versed in sustainability issues and is familiar with the Company and its business' sustainability issues. <p>Internal and external stakeholders are able to access and understand the Company's approach in setting sustainability strategies and priorities and addressing EES risks and opportunities to achieve the Company's sustainability goals and to create long-term, through the Sustainability Statement in the Company's Annual Report 2022.</p> |
| Explanation for departure | : | |
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Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

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| Measure : | | |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>From time to time, the Board is briefed by the Management on the sustainability development of the Company.</p> <p>During the financial year ended 30 June 2022, the Company had engaged with Tricor Axcelasia Sdn. Bhd. to develop an enhanced sustainability framework of the Group for the purpose of updating and formalising it in a more structured manner to be served as a guidance for our senior management to drive the sustainability agenda across the Group.</p> <p>The Board had on 13 July 2022 reviewed the sustainability GAP analysis and sustainability issues relevant to the company and its business, including climate-related risks and opportunities.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
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Intended Outcome

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

Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | During the financial year ended 30 June 2022, the Company had engaged with Tricor Axcelasia Sdn. Bhd. to develop an enhanced sustainability framework of the Group for the purpose of updating and formalising it in a more structured manner to be served as a guidance for our senior management to drive the sustainability agenda across the Group. | |
| | | As such, the review of the performance of the Board and Senior Management has yet to address the Company's material sustainability risks and opportunities. Steps will be taken to include a review of the performance of the Board and Senior Management in addressing the Company's material sustainability risks and opportunities upon completion of the enhanced sustainability framework. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
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Intended Outcome

The 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.

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| 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 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Nomination Committee had reviewed the composition of the Board and Committees in the financial year ended 30 June 2022. The Nomination Committee had reviewed and recommended the directors who are subject for annual re-election upon satisfactory evaluation of the directors' performance and contribution to the Board. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
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Intended Outcome

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

Practice 5.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board comprises one (1) Executive Chairman, one (1) Managing Director and Group Chief Executive Director, one (1) Executive Director and four (4) Independent Non-Executive Directors.</p> <p>More than half of our Board comprises independent directors. The Board composition ensures the effective checks and balances on the Board to safeguard the interest of the minority shareholders.</p> <p>The Nomination Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is appropriate and well balance in terms of size, mix of skills and experience.</p> <p>The current Board composition are as follows:-</p> <p>Mr. Lim Ah Hock (<i>Executive Chairman</i>) Mr. Lim Pay Chuan, Paul (<i>Managing Director and Group Chief Executive Officer</i>) Mr. Lim Peir Shenq, Stanley (<i>Executive Director</i>) Ir. Amir Bin Yahya (<i>Independent Non-Executive Director</i>) Mr. Ng Chee Hoong (<i>Independent Non-Executive Director</i>) Ms. Hoo Siew Lee (<i>Independent Non-Executive Director</i>) Ms. Helen Tan Miang Kieng (<i>Independent Non-Executive Director</i>)</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 5.3

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>Presently, there are no Independent Directors serving beyond nine (9) years.</p> <p>The Board Charter stipulates that where the tenure of an Independent Director exceeds a cumulative term of nine (9) years, the Board shall make recommendation and provide justifications to shareholders at a general meeting should it seek to retain the Director as an Independent Director. Alternatively, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.</p> | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
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Intended Outcome

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

Practice 5.4 - Step Up

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

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| <i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i> | |
| 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 takes cognisance of the importance in promoting diversity and gender mix in its composition comprising of different skill sets, experience, age, cultural background and gender.</p> <p>The Nomination Committee is responsible to assess the capabilities and qualities of the candidates to be appointed as Board members as well as Board Committee members taking into account the individual's skills, competencies, knowledge, experience, expertise, professionalism and integrity. The Nomination Committee has a formal assessment mechanism in place to assess the Board, Board Committees and individual Directors on an annual basis.</p> <p>The Nomination Committee also oversees the succession planning of the Senior Management and diversity at Senior Management level is also taken into consideration.</p> <p>None of our directors exceeds the limit of directorships as prescribed under the Main Market Listing Requirements of Bursa Securities. Based on the attendance records, all of our directors have attended 100% of our Board Meeting (except for Mr. Lim Ah Hock and Ir. Amir Bin Yahya who have attended six (6) out of seven (7) Board meetings.)</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 5.6

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board seeks recommendations for candidates for new Board members from existing Board members, major shareholders and independent sources. All appointments are subject to the review by the Nominating Committee based on pre-determined criteria prior to the consideration and approval by the Board.</p> <p>The Board takes cognisance of the recommendation of the Malaysian Code on Corporate Governance to utilise a variety of approaches and sources to identify suitable candidates, which may include sourcing from a directors' registry, open advertisements or using the independent search firms.</p> <p>The Nomination Committee and the Board will ensure that the procedures for appointing new Directors are transparent and formal and the appointments are made on merits.</p> <p>During the financial year ended 30 June 2022, through referrals and recommendations from the Company's business associates, the Board had appointed Ms. Hoo Siew Lee and Ms. Helen Tan Miang Kieng as Directors of the Company to attain towards the 30% women participation as Board members.</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> | | |
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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 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>Based on the nomination process listed in the Terms of Reference of the Nomination Committee, the Nomination Committee shall evaluate each candidate for new director appointment in the following area:</p> <ol style="list-style-type: none"> 1. Skills, knowledge, expertise and experience; 2. Professionalism; 3. Integrity; 4. In the case of candidates for the position of independent non-executive directors, the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors. <p>The Annual Report of the Company contains the profile of each Director and the disclosure includes the required information as prescribed by the Main Market Listing Requirements.</p> <p>In addition, the explanatory notes of the Notice of the AGM provide the relevant information of the Directors who are standing for re-election and the statement of the Board on its recommendation to support the re-election of Directors.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 5.8

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Board had on 25 November 2021, re-designated Ir. Amir bin Yahya as Senior Independent Non-Executive Director and appointed him as the Chairman of the Nomination Committee. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 5.9

The board comprises at least 30% women directors.

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board comprises two (2) women directors out of seven (7) directors, which made up to 28% of women composition. | |
| | | The two (2) women directors are Ms. Hoo Siew Lee and Ms. Helen Tan Miang Kieng. | |
| | | The Nomination Committee and the Board would ensure that the Company would be complying with the 30% women directors requirement and steps will be undertaken to ensure that one (1) more suitable woman candidate to be appointed. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| 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.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Company has adopted a Board Diversity Policy, which sets out the approach to diversity on the Board of Directors and the Senior Management level.</p> <p>The Board Diversity Policy does not set any specific target on the composition in terms of gender, age or ethnic of its Board members or members of Senior Management. However, the Board is well represented by individuals drawn from distinctly diverse professional backgrounds who have distinguished themselves in the electrical engineering, mechanical engineering, multinational business, auditing, information technology (IT), banking and investments.</p> <p>Presently, there are two (2) women directors on Board and the two (2) key senior management, i.e. the Chief Operating Officer and Chief Financial Controller, are women.</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.

| | |
|--|--|
| <i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i> | |
| Application | : Applied |
| Explanation on application of the practice | : <p>The Nomination Committee is entrusted by the Board to annually review the effectiveness of the Board and Board Committees as well as the performance of individual directors.</p> <p>The annual evaluation which is internally facilitated using a set of customised self-assessment questionnaires to be completed by the Directors. The process involves individual Directors and Committee members completing evaluation questionnaires, collectively or individually, regarding the processes of the Board and its Committees, their effectiveness and areas where improvements could be considered.</p> <p>The outcome of the assessments by all Directors were summarised and discussed at the Nomination Committee meeting which were then reported to the Board. All evaluation forms completed as well as assessments and evaluations carried out by the Nomination Committee are properly documented.</p> |
| Explanation for departure | : |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : |
| Timeframe | : |

Intended Outcome

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

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

Practice 7.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management that take into account the demands, complexities and performance of the Company as well as skills and experience required, and these are periodically reviewed.</p> <p>The remuneration of the Executive Directors is structured at such that it is linked to the corporate and individual performance. The Non-Executive Directors will receive remuneration packages which reflect the relevant experience, expertise and level of responsibilities undertaken by the respective Non-Executive Director.</p> <p>Our remuneration strategy and practices for Senior Management ensure business complexities and individual responsibilities are aligned with business strategy and long-term objectives.</p> <p>The Remuneration Policy of Directors and Senior Management is accessible on the Company's website at www.pestech-International.com.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |

| | | | |
|------------------|---|--|--|
| Timeframe | : | | |
|------------------|---|--|--|

Intended Outcome

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

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

Practice 7.2

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

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Remuneration Committee comprises solely Independent Non-Executive Directors.</p> <p>The duties and responsibilities of the Remuneration Committee are as follows:-</p> <ul style="list-style-type: none">• To review and assess the remuneration packages of the Executive Directors and Senior Management in all forms, with or without other independent professional advice or other outside advice.• To ensure the level of remuneration be sufficiently attractive and be able to retain Directors and Senior Management needed to run the Company successfully.• To structure the component parts of remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at Board level at a particular time.• To recommend to the Board of Directors the remuneration packages of the Executive Directors and Senior Management.• To recommend to the Board of Directors the policy and framework for Directors' remuneration as well as the remuneration and terms of service of Executive Directors and Senior Management.• To act in line with the directions of the Board of Directors; and• To consider and examine such other matters as the Remuneration Committee considers appropriate. |

| | | |
|--|--|--|
| | The Terms of Reference of the Remuneration Committee is available on the Company's corporate website at www.pestech-international.com . | |
| 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 | : | The details of remuneration of individual directors on named basis have been included in the Annual Report 2022. Please also find below the detailed disclosure. |

| 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 | Lim Ah Hock | Executive Director | - | - | 1,347,372 | - | 34,890 | 171,616 | 1,553,878 | - | - | 2,018,150 | - | 34,890 | 258,709 | 2,311,749 |
| 2 | Lim Pay Chuan | Executive Director | - | - | 1,243,744 | - | 36,460 | 164,194 | 1,444,398 | - | - | 1,914,521 | - | 36,460 | 251,288 | 2,202,269 |
| 3 | Lim Peir Shenq | Executive Director | - | - | 250,000 | - | - | 34,276 | 284,276 | - | - | 250,000 | - | - | 34,276 | 284,276 |
| 4 | Ir. Amir bin Yahya | Independent Director | 48,000 | 28,500 | - | - | - | - | 76,500 | 48,000 | 28,500 | - | - | - | - | 76,500 |
| 5 | Ng Chee Hoong | Independent Director | 48,000 | 33,000 | - | - | - | - | 81,000 | 48,000 | 33,000 | - | - | - | - | 81,000 |
| 6 | Hoo Siew Lee | Independent Director | 40,774 | 24,000 | - | - | - | - | 64,774 | 40,774 | 24,000 | - | - | - | - | 64,774 |
| 7 | Helen Tan Miang Kieng | Independent Director | 28,800 | 10,500 | - | - | - | - | 39,300 | 28,800 | 10,500 | - | - | - | - | 39,300 |
| 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 |

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 Board is of the opinion that the disclosure on the remuneration of the Senior Management comprising the Group Chief Executives, on a named basis would not be in the best interest of the Group due to confidentiality and personal security concern.</p> <p>Therefore, disclosure on the remuneration of the Group Chief Executives in the band of RM50,000 on no name basis is provided in the Corporate Governance Overview Statement in the Company's Annual Report for the financial year ended 30 June 2022.</p> <p>The Board will ensure that the remuneration of the Group Chief Executives commensurate with their duties and responsibilities, the performance of the Company and on par with the market payouts.</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. |

| 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 | : | The Chairman of the Audit Committee is Mr. Ng Chee Hoong and the Chairman of the Board is Mr. Lim Ah Hock. | |
| 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 | : | Applied | |
| Explanation on application of the practice | : | <p>The policy on observation of a cooling-off period of at least three (3) years for a former key audit partner prior to the appointment as a member of Audit Committee was incorporated in the Terms of Reference of Audit Committee.</p> <p>Presently, none of our member of Audit Committee is a former key audit partner.</p> | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.3

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>Under the Terms of Reference of the Audit Committee, the Audit Committee shall assess and monitor the independence and qualification of the External Auditors and consider their appointment.</p> <p>Based on the annual assessment conducted for the financial year ended 30 June 2022 at the meeting held on 30 August 2022, the Audit Committee was satisfied with the performance and independence of the external auditors as well as the fulfilment of criteria based on several factors, including independence of the external auditors, quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with.</p> <p>Messrs. Grant Thornton Malaysia PLT had also confirmed to the Audit Committee that they had been independent in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants throughout the audit engagement in respect of the financial year under review.</p> <p>The Board, upon the recommendation by the Audit Committee, has no objections to the re-appointment of the External Auditors and will accordingly, seek for shareholders' approval at the forthcoming Annual General Meeting 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

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 | : | Adopted |
| Explanation on adoption of the practice | : | All members of the Audit Committee are Independent Directors and as such, there is a strong and independent element to provide effective oversight for it to function effectively and exercise objective judgements independently. |

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>2 of the Audit Committee members are financially literate and able to understand matters within the purview of the Audit Committee including the financial process. Although the other 2 Audit Committee members are not from financial background, the AC members were also briefed by the External Auditors, Messrs Grant Thornton Malaysia PLT on the financial reporting developments, i.e. updates in Malaysian Financial Reporting Standards and other regulatory requirements in the Audit Committee meeting during the financial year.</p> <p>Our Audit Committee Chairman, Mr. Ng Chee Hoong is a Fellow Member of the Association of Chartered Certified Accountants (ACCA), a Member of the Malaysian Institute of Accountants (MIA) and a Member of Chartered Tax Institute of Malaysia (CTIM). He is specialising in audit and assurance with over 30 years of working in audit firms and commercial organisation.</p> <p>The other Audit Committee member, Ms. Helen Tan Miang Kieng who is actively involved in equity broking and retail and institutional investment in her career is also financially literate with her qualification in Masters of Science in Business Administration (Financial Management).</p> <p>The AC members are aware of the need to continuously develop and to broaden their knowledge in the areas of accounting and auditing in order to carry out their roles and duties effectively. Various training has been undertaken by the AC members on an ongoing and timely basis to keep themselves abreast of relevant industry developments.</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>An Enterprise Risk Management (“ERM”) framework was established to identify and manage the significant risks faced in the Group’s operations.</p> <p>The ERM framework is set out in the Annual Report for the financial year ended 30 June 2022 under the Statement on Risk Management and Internal Control. The ERM framework focuses on the Group’s core business operations and comprises a formalised structured process on risks identification, evaluation, control, monitoring and reporting and risk management policy and guidelines which had been adopted by the Board.</p> <p>A Risk Management Committee (“RMC”) (a Management-level Committee) chaired by the GCEO and consist of Heads of Department/Operating Units.</p> <p>The principal roles and responsibilities of the RMC in risk management are to identify and communicate to the Board or the Audit Committee, critical risks (present or potential) that Group faces, their changes and Management action plans to manage the risks.</p> <p>, supported by the A Risk Management Working Committee (Working-level Committee) was established is established to assist their respective Heads of Department/Operating Units on the following for the proper implementation of the ERM framework:.</p> <ol style="list-style-type: none">1. manage the division’s and department’s risk profile;2. report on risk exposure;3. develop and implement action plans to manage risks;4. report on status of action plans; and5. ensure critical risks are considered in the action plan. |
| Explanation for departure | : | |
| | | |

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

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

Intended Outcome

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

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

Practice 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 Group has implemented a formal approach to the risk management framework whereby a systematic and logical methodology risk management model has been adopted to ensure key risks are identified, evaluated, properly prioritised, owners identified with proper response time set and allowed for continuous improvement.</p> <p>The Management-level Risk Management Committee through their meetings ensures that the accountability for managing the significant risks identified is clearly assigned and that the identified risks affecting the Group and the Company are being satisfactorily addressed on an ongoing basis.</p> <p>Further details of the Group's risk management and internal control framework are provided in the Statement on Risk Management and Internal Control in the Annual Report.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 10.3 - 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 Board outsourced the internal audit function to Tricor Axcelasia Sdn. Bhd. (“Tricor”). The Internal Audit function reports directly to the Audit Committee on the adequacy and effectiveness of the system of internal controls in the operating units and the extent of compliance to the established processes, policies and procedures and applicable laws and regulations.</p> <p>The Audit Committee reviewed the Internal Audit Report presented by Tricor during the Audit Committee meeting.</p> <p>The Internal Audit Function has adopted a risk-based approach and prepared its audit strategy and plan based on the risk profiles of the major business functions of the Group, and in accordance with the internal audit plan approved by the AC.</p> <p>The details and summary of work of the Internal Audit Function are further disclosed in the Audit Committee Report in the Company’s Annual Report.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 11.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The internal audit function is outsourced to an independent professional firm, Tricor Axcelasia Sdn. Bhd. (“Tricor”) and reports directly to the Audit Committee. The person in charge is Mr. Chang Ming Chew (“Mr. Chang”), a Director of Tricor.</p> <p>Mr. Chang is a Certified Internal Auditor® (CIA®) and holds a Certification in Risk Management Assurance® (CRMA®). He is a member with the Institute of Internal Auditors of Malaysia, the ISACA®, an international professional association focused on IT governance, the Association of Certified Fraud Examiner, the Association of Chartered Certified Accountants (UK); and the Malaysian Institute of Accountants.</p> <p>The internal audit carried out by internal audit function is guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors.</p> <p>The Audit Committee also received assurance from the outsourced Internal Audit Function that all assigned Internal Audit engagement team personnel remain independent, objective and free from any relationships or conflicts of interest in carrying out their Internal Audit duties throughout the engagement.</p> <p>The Board, through the Audit Committee had on 30 August 2022, reviewed and assessed the performance of Tricor and was satisfied with the performance and deliverables of Tricor.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |

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

Intended Outcome

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

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

Practice 12.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company uses various channels of communications as below to enable the Board and Management to continuously communicate, disclose and disseminate comprehensive and timely information to investors, shareholders, financial community and the public generally.</p> <ul style="list-style-type: none">(i) the quarterly announcements on financial results and other periodical or relevant announcement to Bursa Malaysia Securities Berhad;(ii) circulars and annual report;(iii) general meetings of shareholders;(iv) meetings with investors, analysts and fund managers and briefing where appropriate; and(v) the Company's website at www.pestech-international.com where shareholders can access corporate information such as the Board Charter, Terms of References of the Board Committees, Company policies, press releases, financial information, Company announcements and 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 | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 12.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

| | | | |
|--|---|--------------------------------------|--|
| Application | : | Not applicable – Not a Large Company | |
| Explanation on application of the practice | : | | |
| 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 13.1

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 Tenth Annual General Meeting (“AGM”) of the Company was held on 25 November 2021. The Notice of Tenth AGM was issued on 26 October 2021, which fulfilled the minimum 28 days’ notice period to be given to shareholders prior to the date of the AGM, which is in line with the recommendation of the Malaysian Code on Corporate Governance, as well as the requirements of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Notice for the Company’s upcoming Eleventh AGM to be held on 25 November 2022 is given to the shareholders at least 28 days before the date of holding the Eleventh AGM. The same practice will apply to future annual general meetings of the Company.</p> <p>The notice of AGM also provides detailed explanation for the resolutions proposed along with any background information and reports or recommendations that are relevant, where required and necessary, to enable shareholders to make informed decisions when 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 | : | The Company's Tenth Annual General Meeting ("10 th AGM") held on 25 November 2021 was conducted virtually via live streaming with online remote participation and voting at a broadcast venue. All the Directors of the Company, Committee Members, key senior management and other management personnel attended the 10 th AGM at the broadcast venue. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 13.3

Listed companies should leverage technology to facilitate–

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

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company had at its Tenth Annual General Meeting (“10th AGM”) and Extraordinary General Meeting (“EGM”) on 25 November 2021 leveraged on the technology to facilitate electronic voting (“e-voting”) for the conduct of poll on all resolutions. The electronic voting devices were used to provide a more efficient and accurate outcome of results.</p> <p>SS E Solutions Sdn. Bhd. and Commercial Quest Sdn. Bhd. were appointed as Poll Administrator and Scrutineer, respectively to conduct the polling process and to verify the poll results.</p> <p>Shareholders were provided with detailed Administrative Guide where one-time user’s registration was required for verification as shareholders. Upon which, the shareholder was granted access for remote attendance or appointment of proxy at the meeting. The polling process for the resolutions was conducted upon completion of the deliberation of all items transacted at the 10th AGM and EGM. The shareholders/proxies were directed to the e-voting portal to cast their votes.</p> <p>Upon verification of the poll results by the Scrutineers, Commercial Quest Sdn. Bhd., the Chairman of the Meeting announced the results for each resolution, which included votes in favour and against, and thereafter declared whether the resolutions were carried.</p> <p>The forthcoming Eleventh AGM of the Company has been scheduled to be held on 25 November 2022 by way of a fully virtual meeting via live streaming with online remote participation and voting to encourage shareholders to participate at the Eleventh AGM from any locations.</p> |
| Explanation for departure | : | |

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

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| 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.

| | |
|--|--|
| <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 : | <p>The Company's Tenth Annual General Meeting ("10th AGM") and Extraordinary General Meeting ("EGM") of the Company held on 25 November 2021 were conducted virtually via remote participation and voting at a broadcast venue. All the Directors of the Company, senior management and other management personnel attended the 10th AGM and EGM at the broadcast venue.</p> <p>The Administrative Guide for the 10th AGM/EGM was circulated to all shareholders of the Company and made available at the Company's website on the procedures to register, participate and vote remotely at the 10th AGM/EGM through the remote participating and voting facilities.</p> <p>Shareholders were given ample time and had have the opportunities to raise their questions for all resolutions tabled, issues pertaining to the Company and sought explanations from the Board or the Management at the 10th AGM/EGM.</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 13.5

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 | : The Tenth Annual General Meeting (“10 th AGM”) and Extraordinary General Meeting (“EGM”) of the Company held on 25 November 2021 were conducted virtually via live streaming with online remote participation and voting. The Board has appointed SS E Solutions Sdn. Bhd. and Commercial Quest Sdn. Bhd. as Poll Administrator and Scrutineer, respectively to conduct the polling process and to verify the eligibility of proxies and poll results. The shareholders who are not able to attend the 10 th AGM/EGM can appoint their own proxy or appoint the Chairman as their proxy to attend and vote on his/her behalf provided that the relevant proxy form is lodged at the Company’s Share Registrar office at least forty-eight (48) hours before the time appointed for 10 th AGM/EGM. Shareholders can attend, participate (including pose questions to the Board via real time submission by using chat box provided in the system) and vote remotely at the 10 th AGM/EGM using the Remote Participation and Voting (“RPV”). |
| 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 | : | Applied |
| Explanation on application of the practice | : | The Minutes of the 10 th AGM/EGM was uploaded on the Company's website after it is duly confirmed and signed within 30 business days from the date of the 10 th AGM/EGM. |
| Explanation for departure | : | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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

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

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|----------------|
| Not Applicable |
|----------------|