

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0168
COMPANY NAME : Boilermech Holdings Berhad
FINANCIAL YEAR : March 31, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("Board") of Boilermech Holdings Berhad ("Boilermech" or "Company") recognises the key role it plays in charting the strategic direction of the Company and its subsidiaries ("Group"). To achieve this, the Board has carried out the following activities during the financial year under review and up to the date of this Corporate Governance Report:</p> <ol style="list-style-type: none">1) Conduct face-to-face pre-scheduled meetings to deliberate on matters relating to the strategic direction and objectives setting, annual budgets, major capital expenditures, new ventures, material acquisitions and disposals;2) Review of quarterly results of the Group prior to announcement to Bursa Malaysia Securities Berhad. During these meetings, the operational and financial performance of the Group, together with any material development and issues relating to the business of the Group, are discussed and, where applicable, responded to accordingly. At these meetings, the Audit Committee Chairman will also present the internal audit reports reviewed by the Audit Committee ("AC") to the Board, including corrective actions proposed by the internal audit function and Management's action plans;3) Recognise the importance of business sustainability and tasked the Executive Committee and Risk Management Unit to formulate sustainability strategies, policies, goal setting or Key Performance Indicators ("KPI") and oversee the implementation process and the overall sustainability performance of the Group;4) Set specific KPI for Executive Management in order to align Management's strategies with the Group's objectives. Performance incentive scheme is also provided to Executive Directors and Management to reward those who achieve these KPI. This would ensure that the business was conducted effectively towards meeting the strategic objectives of the Group;

	<p>5) Approve the Risk Management Framework for Management to identify, evaluate, manage, report and monitor risks. Details of the Group's Risk Management Framework and its related internal control system are set out in its Statement on Risk Management and Internal Control of the Company's Annual Report;</p> <p>6) The Risk Management Unit (consisting of Executive Committee members) advises the AC and the Board on areas of high risk and the adequacy of compliance and control procedures (including financial and non-financial) throughout the Group. The Risk Management Unit assists the Board to fulfil its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group.</p> <p>7) The Board, via the Nomination Committee ("NC"), is responsible to ensure that there is an effective and orderly succession planning. The Terms of Reference of the NC provides that the NC shall work together with the Remuneration Committee and the Board as a whole to develop an effective succession plan for Executive Directors and key managers of the Group. Factors considered by the NC include the suitability of the candidates based on their profiles, professional achievements and personality assessments. There were no new appointments of Executive Director or Senior Management during the year under review. There were new appointment of Independent Non-Executive Directors during the year under review arising from the end of 9-year term of Independent Non-Executive Directors; and</p> <p>8) Primary communication with shareholders was via the Annual General Meeting, where the Chairman would invite shareholders who were present to engage in question and answer sessions on the resolutions being tabled for voting. In addition, the Group has a corporate website (http://www.boilermech.com/index.html) to provide a platform for investors and shareholders the opportunity to stay abreast of the Group's development, including financial reports and other announcements made to Bursa Malaysia Securities Berhad.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is chaired by a Non-Independent Non-Executive Director, Dr. Chia Song Kun. The Board Chairman is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. Responsibilities of the Chairman, amongst others, include the following:</p> <ul style="list-style-type: none">• ensuring the adequacy and integrity of the governance process;• functioning as a facilitator at meetings of the Board to ensure that no member, whether Executive or Non-Executive, dominates discussion; that appropriate discussions take place; and that relevant opinions amongst members are forthcoming;• ensuring that all Directors are enabled and encouraged to participate at Board meetings. This includes ensuring that all relevant issues are on the agenda and that all Directors receive timely and relevant information tailored to their needs and that they are properly briefed on issues arising at Board meetings;• ensuring that Executive Directors look beyond their executive functions and accept their full share of the responsibilities of governance;• guiding and mediating the Board's actions with respect to organizational priorities and governance concerns; and• undertaking the primary responsibility for organizing the information necessary for the Board to deal with items on the agenda and for providing the information to Directors on a timely basis. <p>Responsibilities of the Chairman are outlined in the Board Charter which is accessible on the Group's website at http://www.boilermech.com/investor-relations.html.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognizes the importance of having a clearly accepted division of power and responsibilities at the head of the Group to promote accountability and facilitate the division of responsibility. Accordingly, the Board Charter specifies that the position of Chairman shall be held by a Non-Executive Director while the Managing Director, represents Management to the Board.</p> <p>The positions of the Chairman and the Managing Director are held by two different individuals, namely Dr. Chia Song Kun and Mr Leong Yew Cheong respectively. The said positions helmed by 2 different individuals provides a clear distinction and separation of the two roles, maintaining a balance of power and authority to the Board's dynamics, and ensuring no one individual has unfettered decision-making powers.</p> <p>The Group's Board Charter clearly delineates the roles of the Chairman and the Managing Director, where the Chairman focuses on ensuring effectiveness of the Board whilst the Managing Director focuses on ensuring efficiency and effectiveness of the Group's operations, including implementation of the Group's strategic plan and policies established by the Board.</p> <p>The roles of the Chairman and Managing Director are outlined in the Board Charter which is accessible on the Group's website at http://www.boilermech.com/investor-relations.html.</p>
Explanation for departure	:	
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Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>Boilermech Holdings Berhad is jointly supported by three (3) Company Secretaries, namely Ms Foong Shat Lee (in-house), Ms Tan Bee Hwee (co-outsourced) and Ms Wong Wai Foong (co-outsourced).</p> <p>All the above three (3) Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016.</p> <p>The Board Charter provides for the Company Secretary's accountability to the Board on all governance matters, including compliance with laws, rules, procedures and regulations affecting the Company. The Company Secretaries support the Board in advising adherence to Board policies and procedures. Appointment and removal of the Company Secretary, if required, is a matter for the Board as a whole, as articulated in the Board Charter.</p> <p>The Company Secretary organises and attends all Board and Board Committee meetings. All pertinent issues discussed at Board and Board Committee meetings in arriving at the decisions and conclusions are properly recorded as minutes of meeting by the Company Secretary, concurred by participating Directors and signed by the Chairman of the meeting. The Company Secretary is also responsible to ensure timely communication of Board-level decisions to the Management.</p> <p>It is also the responsibility of the Company Secretaries to keep abreast of current governance practices and update the same to the Board. All Board members are entitled to unlimited and unrestricted access to the professional advice and services of the Company Secretaries.</p> <p>Through MAICSA's platform and network, the Company Secretaries are periodically updated on changes and developments in the relevant laws, regulations and best practices. On an ongoing basis, the Company Secretaries also attend trainings on new developments to the relevant laws, regulations and best practices. The Company Secretaries keep the Board updated on developments in the relevant laws and regulations, either in writing or briefing at Board meetings.</p>

	<p>The Board has assessed the performance of the Company Secretaries for the financial year under review. The criteria used for the assessment are, amongst others, technical knowledge, experience, personal attributes and ability to fulfil their roles and responsibilities.</p> <p>Based on the outcome of the assessment, the Board was satisfied with the performance and support rendered by the Company Secretaries.</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

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>It is the responsibility of the Company Secretaries to facilitate the provision of information, as may be requested by the Directors from time-to-time.</p> <p>In advance of each upcoming financial year, the Company Secretaries, in consultation with all Directors, prepare an annual meeting calendar for circulation to all Directors. The annual meeting calendar includes the scheduled dates for meetings of the Board, Board Committees and Annual General Meeting.</p> <p>In order to ensure all Directors are supplied with all necessary information and sufficient time to consider matters to be deliberated at Board and Board Committee meetings, the Company Secretary circulates the meeting agenda, together with meeting materials (e.g. detailed reports and proposition papers) to all members of the Board and Board Committees at least five (5) business days prior to the meeting, or a shorter period where unavoidable, as specified in the Board Charter. Early circulation of the meeting agenda and relevant papers aims to ensure effectiveness and efficiency of meetings, by providing sufficient time for Directors to review the information provided, to make enquiries and to seek additional information and clarification.</p> <p>The Company Secretary prepares the Board and Board Committee meeting minutes, properly recording issues deliberated, including how decisions and conclusions are arrived at. Action items remain as matters arising in the minutes of meeting until they are resolved or removed, if deemed no longer relevant.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has established a Board Charter, the objective of which is to act as a source of reference and primary guide to the Board as it sets out the role, functions, composition, operation and processes of the Board and seeks to ensure that all Board members are aware of their duties and responsibilities.</p> <p>The Board Charter provides for the roles and responsibilities of the Board of Directors, Board Committees, Chairman, Executive Directors, Non-Executive Directors, Independent Directors and Managing Director, summarised as follows:</p> <ul style="list-style-type: none">• the Board Chairman is responsible for leadership of the Board, ensuring effective conduct of the Board and ensuring effective communication with shareholders and stakeholders;• the Managing Director, who holds ultimate executive power, is responsible, amongst others, in ensuring the efficiency and effectiveness of the operations for the Group, implementing policies, strategies and decisions adopted by the Board and highlighting material and relevant matters to the attention of the Board in an accurate and timely manner;• the Executive Directors are responsible and involved in the day-to-day management of the Group, including as a delegate assisting the Managing Director in carrying out certain duties;• the roles of Non-Executive Directors, who provide checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring high standards of corporate governance;• the roles of Independent Directors are also specified, having emphasis on value brought by independent judgement and check and balance to the Board;• the following Board Committees have been established by the Board, guided by their respective terms of reference as follows:<ul style="list-style-type: none">○ the Audit Committee oversees matters relating to financial reporting (including quarterly and annual financial

	<p>announcements), external audit, internal audit, related party transactions and conflict of interest situations;</p> <ul style="list-style-type: none"> ○ the Nomination Committee oversees matters pertaining to the structure, size and composition of the Board and other Board Committees, including identifying and nominating candidates to fill Board, Board Committee and Senior Management vacancies, perform annual evaluation of Board, Board Committee-level and individual Director effectiveness, review the performance of Senior Management, oversees Directors training courses and succession planning; ○ the Remuneration Committee establishes and reviews the Directors' and Senior Management's remuneration package to align to the long-term objectives and business strategy of the Group; and ○ the Executive Committee (EXCO) is entrusted to oversee effective implementation of the Board's strategies and directions and successful achievement of the Group's corporate objectives. <p>The Board Charter also outlines a formal schedule of matters reserved for the Board's decision. The matters reserved for the Board ensure the direction and control of the business of the Group are vested in the Board, and include, amongst others, appointment and removal of Directors and Company Secretary, approve remuneration packages of Executive Directors, recommend Directors' fees for Non-Executive Directors to be approved by shareholders, review and approve the Group's strategic plan and annual budget, approve capital expenditure exceeding the prescribed threshold, approve limits of authority for the Group, etc.</p> <p>The Board Charter is accessible on the Group's website at http://www.boilermech.com/investor-relations.html.</p> <p>The Board Charter is kept under review and updated as practices on Corporate Governance and regulatory requirements develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities.</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 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has established a Code of Ethics for its Directors and Employees and remain committed to enhance a standards of corporate governance and common behavioural framework with the intention to cover areas amongst others, compliance with the law, professional integrity, accurate and complete financial information and standard, bribes, gifts and entertainment, conflicts of interests, confidentiality, protection of company's property, prohibition against insider trading, money laundering commitment against corruption practices.</p> <p>The Group may require the provision of an integrity and background declaration by the Directors and Employees from time to time as a measure to protect the integrity of the business and professional relationship with the Group.</p> <p>Although the Group has yet to formalise a Code of Business Ethics for its suppliers and business associates, however, the Group will not be associated with suppliers or business associates that do not have appropriate ethical standards.</p> <p>On 22 May 2020, the Group has formalised the adoption of the Anti-Bribery and Anti-Corruption Policy (ABAC Policy) that set out the Group's expectations for internal and external parties working with and for the Group in upholding the Group's commitment and stance against bribery and corruption practices during the course of business. The ABAC Policy was developed in line with the existing Whistleblower Policy and the Code of Ethics which aimed to further strengthen the Group's existing processes in combating bribery and corruption in line with the amendment to the Malaysia Anti-Corruption Commission (MACC) Act 2009.</p> <p>In addition to the above, the policy and procedures to report violations of Code of Ethics and ABAC Policy, if any, are stated in the Whistleblower Policy.</p>

	The Code of Ethics was last reviewed on 25 June 2020 and is accessible together with ABAC Policy on the Group's website at http://www.boilermech.com/investor-relations.html .	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has implemented the Whistleblower Policy which seeks to uphold the values of transparency, integrity, impartiality and accountability in the conduct of its business and affairs.</p> <p>The Policy enables employees and external partners to discuss any misconduct or criminal activities through internal mechanism whilst protects the Whistleblower from reprisals or victimization for whistleblowing in good faith.</p> <p>The Audit Committee shall be updated on a quarterly basis, the number and type of whistleblower cases reported, summary of process/progress of handling and resolution under the independent investigation.</p> <p>The Whistleblower Policy is accessible on the Group's website at http://www.boilermech.com/investor-relations.html.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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>The Board recognizes the significance of the Independent Director's role in safeguarding the interest of shareholders, in particular the minority shareholders, and making significant contributions to the Board's decision making by bringing in the quality of detached impartiality.</p> <p>Excluding the Alternate Directors, the Board comprises eight (8) Directors, four (4) of whom are Independent Directors, namely Mr Ng Swee Weng, Mr Ho Cheok Yuen, Mr Adrian Chair Yong Huang and Ms Rina Meileene Binti Adam. Hence, the Board comprises 50% of Independent Directors.</p> <p>The remaining four (4) Directors are the Non-Independent Non-Executive Chairman (Dr. Chia Song Kun), the Managing Director (Mr Leong Yew Cheong), the Deputy Managing Director (Mr Chia Lik Khai) and an Executive Director (Mr Gan Chih Soon).</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable. No independent director(s) serving beyond nine (9) years.	
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

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	Not Applicable

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee (“NC”) is tasked to identify and recommend to the Board, candidates for Directorship or Senior Management of the Group. The NC sources for candidates, normally through recommendations of fellow Directors, and evaluates candidates based on, amongst others, their skills, knowledge, competency, experience, time commitment, character, professionalism and integrity. In evaluating candidates, the NC applies strictly the concept of meritocracy, with no specific targets towards, nor discrimination against any age group or cultural background.</p> <p>The Board believes that diversity in skills and experience is fundamental towards good governance and in enhancing the effectiveness of Board deliberation. The Board consists of qualified individuals with diverse experience, backgrounds and perspectives and who have demonstrated commitment to the Group from the attendance at meetings and deliberations at the same. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.</p> <p>During the financial year under review, Mr Ng Swee Weng and Ms Rina Meileene Binti Adam were appointed as Independent Non-Executive Directors of the Company. The NC had conducted interview sessions with the new Directors. The new Directors were evaluated by NC based on the abovementioned criteria before recommending them to the Board for approval of their appointment. The NC believed that the new directors will contribute, complement and improve the dynamics of the Board structure with their experience from finance, engineering and business administration (Strategic Management) which will add value to 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

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre. In evaluating a prospective candidate as director, the concept of meritocracy is applied, taking into account the candidate's skills, knowledge, competency, character, integrity, time commitment and experience of the candidate in meeting the Company's needs, including where appropriate, his or her ability to act as Independent Director, as the case may be.</p> <p>During the financial year ended 31 March 2020, the Board had set a policy that at least one member of the Board shall be of a female gender, the same had been incorporated in the Board Charter. On 13 September 2019, Ms Rina Meileene Binti Adam was appointed as Independent Non-Executive Director of the Company. Based on her valuable experience in strategic business planning, conflict management as well as project management, Ms Rina Meileene Binti Adam is capable of contributing strategic ideas and planning for business with a broader perspective.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee is guided by its terms of reference in carrying out its responsibilities in respect of the nomination, selection and appointment process in the Company.</p> <p>Potential candidates (either being recommended by existing Board members, Management, Major Shareholders, independent consultants as well as external organization such as Institute of Corporate Directors Malaysia (ICDM)) will be identified and assessed by the Nomination Committee, before recommending the same to the Board for approval.</p> <p>Mr Ng Swee Weng and Ms Rina Meileene Binti Adam were appointed as Independent Non-Executive Directors of the Company during the financial year under review.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	The membership profile of the Nomination Committee (“NC”) is set out in its Terms of Reference, where the NC shall comprise exclusively Non-Executive Directors, the majority of whom are Independent Non-Executive Directors, and chaired by an Independent Director. The NC’s Terms of Reference is accessible on the Group’s website at http://www.boilermech.com/investor-relations.html . The NC comprises five (5) Non-Executive Directors and is chaired by an Independent Director (Mr Adrian Chair Yong Huang).
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 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

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

Application	:	Applied																											
Explanation on application of the practice	:	<p>The Nomination Committee (“NC”) facilitates and organises the annual Board effectiveness assessment for the Board, Board Committees, Individual Directors and Independent Directors. Details of the assessment are as follows:</p> <table border="1"> <thead> <tr> <th>Assessment on</th> <th>Performed by</th> <th>Method</th> <th>Assessment criteria</th> </tr> </thead> <tbody> <tr> <td>Board performance</td> <td>NC</td> <td>Questionnaire with ratings from 1-5</td> <td> <ul style="list-style-type: none"> Board structure Board operations Board roles and responsibilities Board Chairman’s roles and responsibilities Independent Directors </td> </tr> <tr> <td>Board Committee performance</td> <td>NC</td> <td>Questionnaire with ratings from 1-5</td> <td> <ul style="list-style-type: none"> Composition Contribution Expertise Communication to the Board </td> </tr> <tr> <td>Audit Committee (“AC”) and AC Members</td> <td>NC</td> <td>Evaluation form</td> <td> <ul style="list-style-type: none"> Independence AC’s roles and responsibilities </td> </tr> <tr> <td>Individual Director’s assessment</td> <td>Self and Peer assessment</td> <td>Self and Peer assessment with ratings from 1-5</td> <td> <ul style="list-style-type: none"> Commitment Competency Communication </td> </tr> <tr> <td>Independent Director’s independence</td> <td>Self-assessment by the Independent Directors</td> <td>Self-assessment checklist</td> <td> <ul style="list-style-type: none"> Performance of executive function Shareholding Family members Transactions Conflicting roles </td> </tr> </tbody> </table> <p>The Board engaged the external Company Secretaries who are from an independent external secretarial firm to facilitate the Board evaluation via evaluation forms. Our external Company Secretaries from Tricor Corporate Services Sdn Bhd assisted in the preparation of documents for the annual evaluation and facilitated the evaluation which includes</p>				Assessment on	Performed by	Method	Assessment criteria	Board performance	NC	Questionnaire with ratings from 1-5	<ul style="list-style-type: none"> Board structure Board operations Board roles and responsibilities Board Chairman’s roles and responsibilities Independent Directors 	Board Committee performance	NC	Questionnaire with ratings from 1-5	<ul style="list-style-type: none"> Composition Contribution Expertise Communication to the Board 	Audit Committee (“AC”) and AC Members	NC	Evaluation form	<ul style="list-style-type: none"> Independence AC’s roles and responsibilities 	Individual Director’s assessment	Self and Peer assessment	Self and Peer assessment with ratings from 1-5	<ul style="list-style-type: none"> Commitment Competency Communication 	Independent Director’s independence	Self-assessment by the Independent Directors	Self-assessment checklist	<ul style="list-style-type: none"> Performance of executive function Shareholding Family members Transactions Conflicting roles
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Individual Director’s assessment	Self and Peer assessment	Self and Peer assessment with ratings from 1-5	<ul style="list-style-type: none"> Commitment Competency Communication 																										
Independent Director’s independence	Self-assessment by the Independent Directors	Self-assessment checklist	<ul style="list-style-type: none"> Performance of executive function Shareholding Family members Transactions Conflicting roles 																										

	<p>self and peer evaluation. The external Company Secretaries compiled a report on the results of the assessment of each individual director and Board Committee to the NC for review before tabling the same to the Board for review and deliberation.</p> <p>Based on the report on the assessment results, The Board was satisfied with the performance of each individual director and Board Committee.</p> <p>The NC has also assessed the Directors who are subject to retirement at the Company's upcoming 10th Annual General Meeting ("AGM") and recommended their re-election at the said AGM. Clause 76(3) of the Company's Constitution provides that one-third (1/3) of the Board members shall retire at every AGM and shall be subjected to re-election by shareholders and further provides that all Directors shall retire once every three (3) years.</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 level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

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

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	
Explanation for departure	:	The Board has adopted a Remuneration Policy for the Directors' and Senior Management during the financial year ended 31 March 2020. The said policy is published and available on the corporate website at www.boilermech.com/investor-relations.html .
<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 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee ("RC") comprises wholly Non-Executive Directors, namely Dr. Chia Song Kun (Non-Independent Non-Executive Director), Mr Ng Swee Weng (Independent Director), Mr Adrian Chair Yong Huang (Independent Director) and Mr Ho Cheok Yuen (Independent Director). The principal responsibilities of the RC in accordance with the terms of reference are to recommend a remuneration framework and terms of employment for all Executive Directors and Senior Management personnel of the Group for the Board's approval.</p> <p>It is the ultimate responsibility of the entire Board to approve the remuneration of the Executive Directors and for the Board to recommend the remuneration of the Non-Executive Directors (with individual Directors abstaining from discussion in respect of their remuneration) to Shareholders for approval.</p> <p>The terms of reference of the RC is accessible on the Group's website at http://www.boilermech.com/investor-relations.html.</p> <p>Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" and "benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board will seek shareholders' approval at the upcoming 10th Annual General Meeting ("AGM") on the payment of Directors' fees and benefits (comprising meeting allowances) to the Non-Executive Directors for the period from the conclusion of the 10th AGM in 2020 to the next AGM in 2021.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied																																																																																													
Explanation on application of the practice	:	<p>The details of the Directors' Remuneration received in financial year under review is set out as below :</p> <p>1) Non-Executive Directors</p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Directors' fees (RM)</th> <th>Meeting allowances (RM)</th> </tr> </thead> <tbody> <tr> <td colspan="3">Group</td> </tr> <tr> <td>Chia Song Kun</td> <td>108,000</td> <td>16,000</td> </tr> <tr> <td>Ng Swee Weng</td> <td>18,581</td> <td>2,000</td> </tr> <tr> <td>Ho Cheok Yuen</td> <td>104,531⁽¹⁾</td> <td>44,303⁽¹⁾</td> </tr> <tr> <td>Adrian Chair Yong Huang</td> <td>84,000</td> <td>16,000</td> </tr> <tr> <td>Rina Meileene Binti Adam</td> <td>41,923</td> <td>6,000</td> </tr> <tr> <td>Low Teng Lum⁽⁴⁾</td> <td>56,000</td> <td>10,000</td> </tr> <tr> <td>Mohd. Yusof Bin Hussian⁽⁵⁾</td> <td>78,677</td> <td>16,000</td> </tr> <tr> <td colspan="3">Company</td> </tr> <tr> <td>Chia Song Kun</td> <td>108,000</td> <td>16,000</td> </tr> <tr> <td>Ng Swee Weng</td> <td>18,581</td> <td>2,000</td> </tr> <tr> <td>Ho Cheok Yuen</td> <td>104,531⁽¹⁾</td> <td>44,303⁽¹⁾</td> </tr> <tr> <td>Adrian Chair Yong Huang</td> <td>84,000</td> <td>16,000</td> </tr> <tr> <td>Rina Meileene Binti Adam</td> <td>41,923</td> <td>6,000</td> </tr> <tr> <td>Low Teng Lum⁽⁴⁾</td> <td>56,000</td> <td>10,000</td> </tr> <tr> <td>Mohd. Yusof Bin Hussian⁽⁵⁾</td> <td>78,677</td> <td>16,000</td> </tr> </tbody> </table> <p>2) Executive Directors</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Salaries (RM)</th> <th>Bonus (RM)</th> <th>Other emoluments (RM)</th> <th>Benefits-in-kind (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td colspan="6">Group⁽²⁾</td> </tr> <tr> <td>Leong Yew Cheong</td> <td>729,600</td> <td>353,387</td> <td>141,382</td> <td>15,500</td> <td>1,239,869</td> </tr> <tr> <td>Chia Lik Khai</td> <td>292,320</td> <td>158,500</td> <td>59,532</td> <td>-</td> <td>510,352</td> </tr> <tr> <td>Gan Chih Soon</td> <td>458,430</td> <td>220,645</td> <td>84,263</td> <td>15,525</td> <td>778,863</td> </tr> <tr> <td>Tee Seng Chun</td> <td>451,890</td> <td>218,895</td> <td>89,050</td> <td>15,525</td> <td>775,360</td> </tr> <tr> <td>Chia Seong Fatt</td> <td>36,000⁽³⁾</td> <td>-</td> <td>-</td> <td>-</td> <td>36,000</td> </tr> </tbody> </table>	Name of Directors	Directors' fees (RM)	Meeting allowances (RM)	Group			Chia Song Kun	108,000	16,000	Ng Swee Weng	18,581	2,000	Ho Cheok Yuen	104,531 ⁽¹⁾	44,303 ⁽¹⁾	Adrian Chair Yong Huang	84,000	16,000	Rina Meileene Binti Adam	41,923	6,000	Low Teng Lum ⁽⁴⁾	56,000	10,000	Mohd. Yusof Bin Hussian ⁽⁵⁾	78,677	16,000	Company			Chia Song Kun	108,000	16,000	Ng Swee Weng	18,581	2,000	Ho Cheok Yuen	104,531 ⁽¹⁾	44,303 ⁽¹⁾	Adrian Chair Yong Huang	84,000	16,000	Rina Meileene Binti Adam	41,923	6,000	Low Teng Lum ⁽⁴⁾	56,000	10,000	Mohd. Yusof Bin Hussian ⁽⁵⁾	78,677	16,000	Name	Salaries (RM)	Bonus (RM)	Other emoluments (RM)	Benefits-in-kind (RM)	Total (RM)	Group⁽²⁾						Leong Yew Cheong	729,600	353,387	141,382	15,500	1,239,869	Chia Lik Khai	292,320	158,500	59,532	-	510,352	Gan Chih Soon	458,430	220,645	84,263	15,525	778,863	Tee Seng Chun	451,890	218,895	89,050	15,525	775,360	Chia Seong Fatt	36,000 ⁽³⁾	-	-	-	36,000
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	<p><i>Notes:</i></p> <p>⁽¹⁾ <i>Mr Ho Cheok Yuen's fees and meeting allowance have been converted from Singapore Dollar to Ringgit Malaysia as shown above based on the average exchange rate of SGD1:RM3.1.</i></p> <p>⁽²⁾ <i>Salaries, bonuses, etc. for Executive Directors derived only from subsidiary.</i></p> <p>⁽³⁾ <i>This refers to Director's fee paid to Mr Chia Seong Fatt, in his capacity as Director of the Company's subsidiary, Boilermech Sdn Bhd.</i></p> <p>⁽⁴⁾ <i>Mr Low Teng Lum resigned as Independent Non-Executive Director on 23 October 2019.</i></p> <p>⁽⁵⁾ <i>En Mohd. Yusof Bin Hussian resigned as Independent Non-Executive Director on 3 March 2020.</i></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

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

Practice 7.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The position of the top four (4) Senior Management of the Group is occupied by the four (4) Executive Directors of the Group, namely Mr Leong Yew Cheong, Mr Chia Lik Khai, Mr Gan Chih Soon and Mr Tee Seng Chun, of which by virtue of application of Practice 7.1, the Group has applied Practice 7.2 for the aforementioned four (4) Senior Management personnel.</p> <p>The 5th Senior Management personnel is Mr Yong Hua Kong, the Managing Director of Teknologi Enviro-Kimia (M) Sdn Bhd, the 60.23% owned subsidiary of the Company. His total remuneration (comprising salary, benefits-in-kind and other emoluments) for the financial year ended 31 March 2020 which is provided herewith in bands of RM50,000 falls within the range of RM500,001 to RM550,000.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - 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	:	Not Applicable

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee ("AC") comprises five (5) members (including the AC Chairman), four (4) of whom, including the AC Chairman, are Independent Directors and one (1) member who is a Non-Independent Non-Executive Director. The requirements for the AC to consist of at least three (3) members, all of whom are non-executive and majority of the members being independent directors and the requirement for the AC Chairman to be an independent director have been articulated in the AC's terms of reference, which is accessible on the Group's website at http://www.boilermech.com/investor-relations.html.</p> <p>The AC Chairman, Mr Ng Swee Weng is a member of the Malaysian Institute of Accountants, a member of the Certified Practising Accountant of Australia and member of the Malaysian Institute of Certified Public Accountants.</p> <p>The Audit Committee is chaired by Mr Ng Swee Weng while the Board is chaired by Dr Chia Song Kun.</p> <p>Whilst the Board Chairman focuses on providing overall leadership to the Board in steering the strategic direction of the Group, ensuring effective conduct of the Board and encourages participation and deliberation by all Board members, the Independent AC Chairmanship, held by a separate individual, provides strong independence and check and balance in leading the AC to independently scrutinise financial matters (such as quarterly reports and audited financial statements), related party transactions and system of internal controls.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	None of the members of the Audit Committee ("AC") are former key audit partners within the cooling-off period of two (2) years. Boilermech has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AC. The policy has been included in the AC's terms of reference, which is accessible on the Group's website at http://www.boilermech.com/investor-relations.html .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	: Applied
Explanation on application of the practice	<p>The Group has policies for the Audit Committee ("AC"), through its Terms of Reference, to assess the suitability, objectivity and independence of the External Auditors (including reviewing of non-audit services provided by the External Auditors). The AC's Terms of Reference is accessible on the Group's website at http://www.boilermech.com/investor-relations.html.</p> <p>In February 2020, the External Auditors, Crowe Malaysia PLT presented for the AC's review its FYE 2020 Audit Plan which outlined the Audit Engagement Partner, Audit Engagement Quality Control Reviewer, Audit Engagement Manager and the Audit Senior-in-charge, audit timeline, the areas of audit emphasis, their focus on key audit matters and independence. Crowe Malaysia PLT declared independence of any relationships or matters that may reasonably be thought to bear on their independence. Crowe Malaysia PLT declared its independence in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.</p> <p>The AC assesses the suitability, objectivity and independence of the External Auditors on an annual basis and this process is included in the annual Audit Committee Report, which is prepared by the AC and presented to the Board. The assessment on the External Auditors performed for the financial year under review included the following scope:</p> <ul style="list-style-type: none">• audit methodology (including standards adopted);• competencies of the audit team (including years of experience);• independence of the audit team (including not holding shares of Boilermech);• audit fees and non-audit fees review and comparison. <p>Based on the outcome of its assessment performed, the AC believes that Crowe Malaysia PLT possesses the independence and competencies to be re-appointed and has, accordingly proposed the same to the Board for endorsement. The Group will seek shareholders' approval to re-appoint Crowe Malaysia PLT as the External Auditors of the Group, at the upcoming 10th AGM on 25 September 2020.</p>

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	Not Applicable

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee ("AC") and its members are evaluated annually by the Nomination Committee ("NC"), the criteria of which include, inter-alia, annual review and recommendation to the Board with regard to the structure, size, balance and composition of the Audit Committee, and the required mix of skills and experience to discharge their responsibilities effectively and efficiently. The Terms of References of the Audit Committee and Nomination Committee are accessible on the Group's website at http://www.boilermech.com/investor-relations.html.</p> <p>The AC members are aware of the need to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain active participation during deliberations.</p> <p>The AC Chairman, Mr Ng Swee Weng is a member of the Malaysian Institute of Accountants, a member of the Certified Practising Accountant of Australia and member of the Malaysian Institute of Certified Public Accountants. Dr. Chia Song Kun, a member of the AC, holds a Bachelor of Science (Honours) degree major in Mathematics and a Master's Degree in Business Administration. Mr Ho Cheok Yuen, a member of the AC, holds three (3) Master's Degree, i.e. Masters of Science in Industrial Engineering, Master of Science in Mechanical Engineering and Master of Business Administration. Mr Adrian Chair Yong Huang, a member of the AC, holds a Bachelor of Law (Honours) and was called to Bar of England and Wales and subsequently the Malaysian Bar as an Advocate and Solicitor. Ms Rina Meileene Binti Adam, a member of the AC, holds Bachelor of Engineering (Honours) in Electronic and Electrical Engineering and Master of Business and Administration (Strategic Management).</p> <p>The NC has, at its meeting in November 2019, evaluated the performance and effectiveness of the AC for the calendar year 2019, including contribution by each individual member. The NC collectively</p>

	<p>agreed that the AC has discharged its responsibilities and functions as required, its members are financially literate and comprises a diverse team with good experience which is vital for strong governance and clear understanding of financial reporting.</p> <p>From time to time, whenever there are developments in financial reporting, the AC members are kept updated via the platform of their professional bodies, by the External Auditors and the Company Secretary.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges that it is ultimately responsible for the adequacy and effectiveness of the Group's system of risk management and internal controls to safeguard all its stakeholders' interests and the Group's assets. This is vital to ensure that they are consistent with the Group's overall objectives with the help of the systems operating within an environment where losses and liabilities arising from risks, uncertainty and random events may be minimized, protected against and even avoided altogether. However, such a system is designed to manage the Group's key areas of risk within an acceptable level, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, due to inherent limitation in any system, the systems of risk management and internal controls can only provide reasonable but not absolute assurance against material misstatement of financial information and records or against financial losses or fraud.</p> <p>The Group has established a Risk Management Unit ("RMU"), which is entrusted to ensure the implementation of an effective risk management system and reviewing the adequacy and integrity of the Group's internal control and management information system. The Risk Management Unit consists of all Executive Committee ("EXCO") members and has appointed a Risk Coordinator to assist in discharging its duties. The RMU reports matters pertaining to risk management to the Audit Committee, which then reports the same to the Board of Directors.</p> <p>The Group has established an ongoing process to identify, evaluate, and manage significant risks faced and has put in place a structured risk management framework, policy and procedures which were designed based on the <i>ISO31000:2018 Risk Management – Guidelines Framework</i>.</p> <p>The level of risk tolerance of Boilermech is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to have "exceeded risk tolerance". There is risk treatment guidance in place to stipulate actions to be taken to reduce level of the risks.</p>

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

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board through the Audit Committee ("AC") oversees the risk management matters of the Group, which include identifying, managing, monitoring, treating and mitigating significant risk across the Group. The AC also assists the Board in fulfilling its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group.</p> <p>The AC's duties, amongst others, include:</p> <ul style="list-style-type: none">• review the principal risks identified by Management and the methodology employed in identifying, analysing, assessing, monitoring and communicating the risks in a regular and timely manner;• ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored; and• recommend to the Board steps to improve the system of internal control derived from the findings of the Internal Auditors and External Auditors. <p>The Group has established a structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the divisional and enterprise levels. The analysis and evaluation of risks are guided by approved risk criteria.</p> <p>The Group adopts a decentralized approach to risk management, whereby all employees take ownership and accountability for risks at their respective levels. The process of risk management and treatment is the responsibilities of the Heads of Department.</p> <p><u>Risk management</u></p> <p>The risk management methodology and approach applied are described as below:</p> <ul style="list-style-type: none">• The Risk Register is compiled and reviewed on a quarterly basis. Any emerging new risks are identified and followed up with the implementation of the control action plans;• The Group's risk appetite defines the amount and types of risk that the Group is able and willing to accept in pursuit of the

	<p>Group’s business objectives. It also sets out the level of risk tolerance and limits to govern, manage and control the Group’s risk-taking activities.</p> <p><u>Internal control</u></p> <p>The internal control and monitoring procedures include:</p> <ul style="list-style-type: none"> • clearly defined systems and procedures, for key operational and financial departments, which include maintaining of good operational and financial records and controls and producing an accurate and timely management information; • detailed reporting of financial results, statement of financial position and cash flows, with regular review by the Management; • regular independent internal audit activities to monitor compliance with procedures and assess the integrity of operational and financial information provided; and • regular information provided to the Management, covering financial performance and key indicators and cash flow performance. <p>The key elements of the Group’s internal control system that are considered as an integral part of the assurance framework are as follows:</p> <ul style="list-style-type: none"> • Organizational structure; • Audit Committee; • Internal audit; • Policies and procedures; • Business plan and budgeting process; • Reporting system; and • Appraisal system. <p>Further details on the management and reporting of the risks and the controls in place to mitigate and manage those risks are provided in the Statement on Internal Control and Risk Management set out in the Company’s Annual Report 2020.</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 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	Not Applicable

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has through the Audit Committee, appointed KPMG Management & Risk Consulting Sdn Bhd (“KPMG”) to perform internal audit (“IA”) for the Group (covering Boilermech and its subsidiaries). KPMG reports the Group’s IA results directly to the Audit Committee (“AC”).</p> <p>The IA service is guided by the Engagement Letter signed between Boilermech and KPMG. The primary role of KPMG, based on the Engagement Letter, is to provide independent assessment of the system of internal controls established, the adequacy and operating effectiveness of such system vis-à-vis the objectives served and to make appropriate recommendations thereof. The IA is guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.</p> <p>To ensure that the responsibilities of IA are fully discharged, the AC is responsible for the following:</p> <ul style="list-style-type: none">• reviewing nature and scope of IA plans;• reviewing internal audit reports, major findings and the management’s responses thereto and ensure that appropriate actions is taken by Management in respect of the IA observations;• reviewing adequacy of the scope, functions, competency and resources of the IA functions and whether it has the necessary authority to carry out its work;• reviewing the performance of the IA function; and• approving appointment or termination of the IA service provider. <p>For the financial year under review, internal auditing activities of the Group were carried out based on the IA plan 2020 (stated in the Engagement Letter) as approved by the AC. The results of these internal auditing activities, including findings and action plans where necessary, were documented and reported/recommended to the AC.</p> <p>Further details on the elements of the internal control system are provided in the Statement on Risk Management and Internal Control set out in the Company’s Annual Report 2020.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit (“IA”) Engagement Letter specifies that the IA function should be independent of the activities they audit to ensure impartial views and unbiased judgements and recommendations made to the Management and the Board. For this reason, the IA function, including all its staff, is not involved in performing routine non-auditing works or have direct responsibility over any activities, functions or tasks they are reviewing. To ensure its independence, the IA reports directly to the Audit Committee (“AC”).</p> <p>The AC has through the AC Report, reviewed the adequacy of the scope, functions, competency and resources of the IA function to meet the requirement of the Group’s current operations structure and size.</p> <p>The IA team, for each cycle of internal audit, usually consists of four (4) personnel, i.e. an Engagement Executive Director, an Engagement Manager, a Senior-in-charge and a team member. The Engagement Executive Director (i.e. En. Mohd. Khaidzir Shahari) is a Member of the Malaysian Institute of Accountants (“MIA”), a Certified Internal Auditor, a Chartered Member of the Institute of Internal Auditors Malaysia (“IIAM”) and an Accredited assessor for the Quality Assurance Review Program of the Institute of Internal Auditors (“IIA”).</p> <p>The IA function adheres to the Institute of Internal Auditors’ mandatory guidelines, i.e. the International Professional Practices Framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Boilermech ensures that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosure. The Group actively engages all its stakeholders through various platforms, including via Boilermech's website and engagement through the investor relations ("IR") function.</p> <p>Boilermech has a dedicated "Investors" section on its Group website, which provides the relevant information of the Group, including share price information, quarterly financial reports, the Company's announcements to Bursa Malaysia Securities Berhad, Annual Reports, Board Charter, Terms of References of the Board Committees, Remuneration Policy, Code of Ethics, Whistleblower Policy and Anti-Bribery and Anti-Corruption Policy.</p> <p>The Company will continue to leverage on technology to enhance the quality of engagement with the shareholders through the appropriate channels for disclosure of information.</p> <p>The IR function is established to enable continuous communication between the Group and its shareholders and the investment community. The shareholders and investors are encouraged to channel their concerns via telephone call (03-80239137) or e-mail to invest@boilermech.com, as provided in the Investor Relation section of the Group's website.</p> <p>The IR section is available at the Group's website at http://www.boilermech.com/investor-relations.html.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Boilermech does not fall under the category of "Large Companies" as defined under Paragraph 2.6 of the Malaysian Code on Corporate Governance. Hence, the Company is not required to and has not adopted integrated reporting.
		Nevertheless, the Company has disclosed in its Annual Report 2020 various statements in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to enable stakeholders to make informed decisions. These include the Management Discussion and Analysis, Corporate Governance Overview Statement, Sustainability Statement, Audit Committee Report and Statement on Risk Management and Internal Control.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	
Explanation for departure	:	<p>The notice for the 9th AGM in 2019 was issued on 19 July 2019 whilst the AGM was held on 19 August 2019, provided a notice period of 30 days prior to the Company’s 9th AGM held on 19 August 2019.</p> <p>For the Company’s upcoming 10th AGM to be held on 25 September 2020, the Company will be issuing notice of AGM to shareholders on 25 August 2020, providing a notice period of 30 clear days prior to the date of the 10th AGM.</p> <p>The Notice of 10th AGM, Proxy Form and Administrative Notes are available on the Company’s website at http://www.boilermech.com/investor-relations.html.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>All the Directors attended the Company's 9th Annual General Meeting ("AGM") on 19 August 2019.</p> <p>The Chairmen of all the Board Committees (i.e. Audit Committee, Nomination Committee and Remuneration Committee) were present to assist the Board Chairman in responding shareholders' questions raised.</p> <p>Shareholders are encouraged to ask questions both about the resolutions being proposed before putting them to vote as well as matters relating to the company's operations in general. The Directors have been duly informed of the upcoming 10th AGM to be held on 25 September 2020 and will be present at the meeting, barring any unforeseen circumstances.</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 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The AGM of the Company has always been held in accessible locations within the Klang Valley whilst its shareholders' base is relatively small.</p> <p>After considering the feasibility of leveraging on technology to facilitate voting in absentia and remote shareholders' participation at AGM, the Board is of the view that the technology requested to support such initiatives may not be cost effective.</p> <p>Nevertheless, shareholders are encouraged and allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in their stead at the AGM if they are unable to attend the meeting in person.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will continue to monitor developments in the market on the use of new and more cost effective technologies to facilitate remote participation and voting in absentia by shareholders and may consider implementing the same in future.
Timeframe	:	

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

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

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