

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0168
COMPANY NAME : Boilermech Holdings Berhad
FINANCIAL YEAR : March 31, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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 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) Monitor the implementation of the strategic business plans (include economic, environmental and social initiatives) to ensure the Management meets the objectives to achieve sustainable growth and optimization returns for the Group. During the meetings, the Management highlighted and explained the budget variances against the planned budgets, this enables the Board to review and monitor the performance of the Group from time to time;3) Review quarterly results of the Company and the Group with representatives from Management where Management reported on the performance and results of the business of the Company and the Group which are benchmarked against the relevant corresponding period. 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 the Management's action plans;4) 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;

	<p>5) 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 achieved these KPI. This would ensure that the business was conducted effectively towards meeting the strategic objectives of the Group;</p> <p>6) Approve 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>7) 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>8) The Nomination Committee (“NC”) 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 Independent Non-Executive Director, Executive Director or Senior Management during the year under review;</p> <p>9) Maintain an effective communications policy that enables both the Board and Management to communicate effectively with shareholders and other stakeholders;</p> <p>10) Ensure that all general meetings are conducted in an efficient manner and serve as crucial mechanisms in shareholder communications. The Company provides comprehensive and timely information to shareholders. During general meetings, the Chairman of the meetings invites shareholders to participate in the question and answer session; and</p> <p>11) Maintain a corporate website (http://www.boilermech.com/index.html) as a platform for shareholders and other stakeholders to stay abreast of the Group’s information including but not limited to the Group’s background and products, financial performance and updates, and announcements made to Bursa Malaysia Securities Berhad (“Bursa Securities”).</p>
<p>Explanation for departure</p>	<p>:</p>

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

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 1.2

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>Dr. Chia Song Kun, the Non-Independent Non-Executive Chairman provides strong leadership quality to objectively steward the Board in meeting the Company's strategic objectives. He 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, effectiveness 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; those appropriate discussions take place; and that relevant opinions amongst members are forthcoming;• ensuring that all Directors are encouraged to actively participate at Board meetings and allow dissenting views to be freely expressed. 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 every Board resolution is put to vote with the will of majority to prevail;• 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>Role and 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	:	
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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 1.3

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 Joint Managing Directors collectively, represent Management to the Board.</p> <p>The positions of the Chairman and the Joint Managing Directors are held by different individuals which provide clear distinction and separation of the said roles and ensure organisational check and balance for better governance.</p> <p>The Group's Board Charter clearly delineates the roles of the Chairman and the Managing Director. The Chairman (Dr. Chia Song Kun) focuses on ensuring effectiveness of the Board whilst the Joint Managing Directors (Mr Leong Yew Cheong and Mr Chia Lik Khai) focus 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.</p> <p>The Company Secretaries organise and attend 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 Secretaries, concurred by participated 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>The Company Secretaries constantly keep themselves abreast on the latest changes/update in the corporate governance, statutory and regulatory requirements by attending workshops, conferences and training programmes organised by MAICSA, Bursa Securities Malaysia Berhad, Securities Commission Malaysia, Companies Commission of Malaysia, and others. Thereafter, the Company Secretaries update the same to the Board either in writing or briefing at Board meetings. All Directors, whether as a whole or individually have unrestricted access to the professional advice and services of the Company Secretaries as well as information within the Group to assist them in the furtherance of their duties.</p> <p>The Board assesses the performance of the Company Secretaries on a yearly basis. The criteria used for the assessment are, amongst others, technical knowledge, experience, personal attributes and ability to fulfil their roles and responsibilities in order to discharge their duties effectively.</p> <p>Based on the outcome of the assessment conducted on 24 November 2020, the Board was satisfied with the performance and support rendered by the Company Secretaries in discharging their 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 :		
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>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>The agenda and meeting papers for consideration are circulated at least five (5) business days prior before each meeting (or shorter period where unavoidable, as specified in the Board Charter) to ensure Directors and respective Committee members have sufficient time to review them and prepared for discussion and decision-making during the meetings.</p> <p>The deliberations and decisions at the Board and Board Committee meetings are accurately documented in the minutes, including matters where Interested Directors abstained from voting or deliberation. Minutes of all Board and Board Committees meetings are circulated to each of Directors / Committee members for their perusal before confirmation and signed by the respective Chairman at the subsequent meetings.</p> <p>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	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group had established a Board Charter which clearly defines the respective roles and responsibilities of the Board, Board Committee, individual Director and the Managing Director, as well as matters and decisions reserved for the Board.</p> <p>The roles and responsibilities of the Board of Directors, Board Committees, Chairman, Executive Directors, Non-Executive Directors, Independent Directors and Managing Director, are summarised as follows:</p> <ul style="list-style-type: none">• the Board Chairman who is responsible for leadership of the Board, also ensures an effective conduct of the Board and 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 Non-Executive Directors provide checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring high standards of corporate governance;• the Independent Directors emphasise on value brought by their independent judgement, and also provide 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 statements), external audit, internal audit, related party transactions and conflict of interest situations;

	<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 was last reviewed on 4 July 2019 and it 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>
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 3.1

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 is committed to maintaining the highest standards of ethics and integrity. As such, the Board last reviewed the Code of Ethics on 25 June 2020 and the Code shall be reviewed by the Board periodically to meet the needs of the Group and to address the changing conditions of its business environment.</p> <p>The scope of the Code includes compliance with relevant provisions of law, professional integrity, accurate and complete financial information and standards, bribes, gifts and entertainment, conflicts of interests, confidentiality, protection of company's property, prohibition against insider trading, money laundering and commitment against corrupt 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>Boilermech Group has subsequently formalised a Code of Business Ethics for its suppliers and business associates based on mutually acceptable standards of business ethics, including openness, transparency, accountability and a high value of integrity.</p> <p>The Group had on 22 May 2020 established and implemented Anti-Bribery and Anti-Corruption Policy ("ABAC Policy") with the objective 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. ABAC Policy shall be reviewed by the Group periodically and at least once in three years.</p> <p>On 29 January 2021, the annual Bribery Risk Assessment Report was prepared by the Risk Management Unit in compliance with the Anti-Corruption Amendments of Listing Requirements of Bursa Securities.</p>

	<p>The said Report together with the existing procedures, policies, and controls implemented by the Group to eliminate corruption risk was circulated to the Audit Committee for review and deliberation.</p> <p>The details of the Code of Ethics and ABAC Policy are available in the Company's website at http://www.boilermech.com/investor-relations.html.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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 had implemented a Whistleblower Policy and the policy was reviewed on 22 May 2020 when adopting the ABAC Policy. It is a channel for whistleblowers (employees and external partners) to raise their concerns confidentially about any wrongdoing, inappropriate behaviour or misconduct relating to fraud, corrupt practices in good faith and on timely basis.</p> <p>The Audit Committee is updated on a quarterly basis, on the number and type of whistleblower cases reported, its progress and the outcome of the 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 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 processes by bringing in quality of detached impartiality.</p> <p>Half of the Board comprises Independent Directors. Out of eight (8) Directors (excluding the Alternate 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.</p> <p>The remaining four (4) Directors are the Non-Independent Non-Executive Chairman (Dr. Chia Song Kun), the Joint Managing Directors (Mr Leong Yew Cheong and 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 based on, among others, their diversity in skills, knowledge and experience, character, professionalism, integrity, age and gender. In the case of Independent Director, the NC shall also evaluate the candidate's ability to discharge such responsibilities as expected from an Independent Director.</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>There was no new appointment to the Board during the financial year 2021.</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>The Company had maintained a gender diversity policy pursuant to its Board Charter, at least one member of the Board shall be of a female gender. The appointment of Ms Rina Meileene Binti Adam as an Independent Non-Executive Director of the Company on 13 September 2019, testifies the Group’s commitment on gender diversity.</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>The Board also seeks external independent sources to identify suitable qualified candidates. 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>	
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	:	<p>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.</p> <p>The NC comprises five (5) Non-Executive Directors and is chaired by Mr Adrian Chair Yong Huang who is an Independent Director.</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 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>			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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	<p>The Board engaged the Company’s external secretarial firm, Tricor Corporate Services Sdn Bhd to facilitate the board evaluation via evaluation forms, including assisting the preparation of documents for self and peer evaluations. The external secretarial firm compiled the 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 deliberation and approval.</p> <p>Based on the report on the assessment results, the Board was satisfied with the performance of each individual director and the Board Committees, and therefore, has decided to maintain the current board composition.</p> <p>The NC has also assessed the Directors who are subject to retirement at the Company’s upcoming 11th 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>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board had adopted a Remuneration Policy for Directors and Senior Management on 21 November 2019. The said Policy shall be reviewed by the Remuneration Committee ("RC") on a periodic basis to ensure it remains relevant and appropriate and shall be subject to the Board's approval.</p> <p>The said policy is published and available on the corporate website at 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

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 of 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 its 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 to recommend the remuneration of the Non-Executive Directors (with individual Directors abstaining from discussion in respect of their remuneration) to the shareholders for approval.</p> <p>During the RC meeting held on 25 May 2021, the RC had reviewed the fees and benefits of the Board and Senior Management before recommending the same to the Board for consideration.</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 11th 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 11th AGM in 2021 to the next AGM in 2022.</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>

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

Intended Outcome

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

Practice 7.1

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

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>12,000</td> </tr> <tr> <td>Ng Swee Weng</td> <td>96,000</td> <td>16,000</td> </tr> <tr> <td>Ho Cheok Yuen</td> <td>104,882⁽¹⁾</td> <td>44,393⁽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>84,000</td> <td>16,000</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3">Company</td> </tr> <tr> <td>Chia Song Kun</td> <td>108,000</td> <td>12,000</td> </tr> <tr> <td>Ng Swee Weng</td> <td>96,000</td> <td>16,000</td> </tr> <tr> <td>Ho Cheok Yuen</td> <td>104,882⁽¹⁾</td> <td>44,393⁽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>84,000</td> <td>16,000</td> </tr> </tbody> </table>			Name of Directors	Directors' fees (RM)	Meeting allowances (RM)	Group			Chia Song Kun	108,000	12,000	Ng Swee Weng	96,000	16,000	Ho Cheok Yuen	104,882 ⁽¹⁾	44,393 ⁽¹⁾	Adrian Chair Yong Huang	84,000	16,000	Rina Meileene Binti Adam	84,000	16,000				Company			Chia Song Kun	108,000	12,000	Ng Swee Weng	96,000	16,000	Ho Cheok Yuen	104,882 ⁽¹⁾	44,393 ⁽¹⁾	Adrian Chair Yong Huang	84,000	16,000	Rina Meileene Binti Adam	84,000	16,000
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	2) Executive Directors					
	Name	Salaries (RM)	Bonus (RM)	Other emoluments (RM)	Benefits-in-kind (RM)	Total (RM)
	Group⁽²⁾					
	Leong Yew Cheong	743,500	187,282	121,595	15,500	1,067,877
	Chia Lik Khai	316,880	85,211	53,203	-	455,294
	Gan Chih Soon	483,552	133,866	86,966	11,775	716,159
	Tee Seng Chun	476,700	131,729	80,946	9,900	699,275
	Chia Seong Fatt	36,000 ⁽³⁾	-	-	-	36,000
	<p>Notes:</p> <p>⁽¹⁾ 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.</p> <p>⁽²⁾ Salaries, bonuses, etc. for Executive Directors derived only from subsidiary.</p> <p>⁽³⁾ 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.</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

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 2021 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 is chaired by Mr Ng Swee Weng while the Board is chaired by Dr Chia Song Kun.</p> <p>The Audit Committee ("AC") comprises of 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 requirement for the composition of AC is at least three (3) members, all of whom must be non-executive, with a majority of them being independent directors including the AC Chairman. The Terms of Reference of the AC 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, Certified Practising Accountant of Australia and Malaysian Institute of Certified Public Accountants. On 2 March 2021, he was appointed as the Board member and Audit Committee Chairman of SKB Shutters Corporation Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.</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 Board meetings 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	:	<p>None of the members of the Audit Committee (“AC”) are former key audit partners within the cooling-off period of two (2) years.</p> <p>Boilermech had adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two years or as agreed and decided by the Board before being appointed as a member of the AC. The policy is included in the AC’s Terms of Reference, 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

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 established 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).</p> <p>As set out in the Terms of Reference of the AC, the responsibilities of the AC include, amongst others, the following:</p> <ul style="list-style-type: none">a) To review any matters concerning the appointment and reappointment, audit fee and any questions of resignation or dismissal of the External Auditors and Internal Auditors.b) To review with the External Auditors the nature and scope of their audit plan, their evaluation of the system of internal controls and report.c) To review the External Auditors' audit plan for the financial year which comprised their scope of audit, audit methodology and timetable, areas of focus and fraud risk assessment prior to the commencement of their annual audit. <p>In February 2021, the External Auditors, Messrs. Crowe Malaysia PLT presented for the AC's review its FYE 2021 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's Terms of Reference 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

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
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<p>Explanation on application of the practice</p>	<p>: The Audit Committee (“AC”) and its members are evaluated annually by the Nomination Committee (“NC”), the criteria of which include its size and composition, and the required mix of skills and experience to discharge their responsibilities effectively and efficiently.</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, Certified Practising Accountant of Australia and 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 2020, evaluated the performance and effectiveness of the AC for the calendar year 2020, including contribution by each individual member. The NC 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> <p>The AC members also attended training programmes to keep abreast of relevant industry issues, market development and trends including accounting and auditing standards to enable them to sustain their active contribution in the functions of the AC.</p>
<p>Explanation for departure</p>	<p>: </p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: </p>

Timeframe	:		
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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 risk management and internal control framework to safeguard all its stakeholders' interests and the Group's assets. The framework is consistent with the Group's overall objectives to maintain an operating 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 risk management and internal control framework 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 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 which was 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 also a risk treatment guidance in place which stipulates appropriate actions in managing those identified 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 sound, effectively adopted and regularly monitored; and • recommend to the Board steps to improve the system of internal control based on 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</p>

	<p>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 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><u>Internal control</u></p> <p>The internal control and monitoring procedures include:</p> <ul style="list-style-type: none"> • clear defined systems and procedures for key operational and financial departments, which include maintaining up to-date operational and financial records and controls, and accurate and timely management information; • detailed reporting of financial results, statements of financial position and cash flows, with regular review by 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 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 2021.</p>
<p>Explanation for departure</p>	<p>:</p>

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

Intended Outcome

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

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

Practice 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 2021 (stated in the Engagement Letter) as approved by the AC. The results of these internal auditing activities, including the findings and action plans were documented and reported/recommended to the AC. The expenses incurred for internal audit amounted to RM38,000 for the financial year ended 2021.</p>

	<p>After completed the IA Report for the financial year ended 31 March 2021, KPMG informed the AC that they were unable to continue to perform as IA for Boilermech Group by virtue of KPMG PLT is also acting as the external auditors of QL Resources Berhad (the ultimate holding company of Boilermech) and its subsidiaries. The Management of the Company is in the midst of sourcing and identifying a suitable candidate to act as IA before making recommendation to the AC and Board for their consideration and approval.</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 2021.</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 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	:	The Internal Audit ("IA") Engagement Letter specifies that the IA function should be independent of the activities they audit to ensure that impartial views, unbiased judgements and recommendations are presented to the Management and the Board.

	<p>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	:	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 its investor relations (“IR”) function.

	<p>Boilermech has maintained an “Investors” section on its Group website as a platform to provide the relevant information of the Group, including share price information, quarterly financial reports, corporate announcements, 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 Board maintains an effective communications policy that enables both the Board and Management to communicate effectively with shareholders and other stakeholders.</p> <p>The Board ensures that all general meetings are conducted in an efficient manner and serves as crucial mechanisms in shareholders’ communication. During general meetings, the Chairman of the meetings invites shareholders to participate in the question and answer session.</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	:
<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 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	:	<p>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.</p> <p>Nevertheless, the Company has disclosed in its Annual Report 2021 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.</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 12.1

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	:	<p>The notice for the 10th AGM in 2020 was issued on 25 August 2020 whilst the AGM was held on 25 September 2020, provided a notice period of 30 days prior to the Company's 10th AGM held on 25 September 2020.</p> <p>For the Company's upcoming 11th AGM to be held on 14 September 2021, the Company will be issuing notice of AGM to shareholders on 16 August 2021, providing a notice period of 28 clear days prior to the date of the 11th AGM.</p> <p>The Notice of 11th AGM, Proxy Form and Administrative Guide are available on the Company'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

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 10th Annual General Meeting ("AGM") on 25 September 2020.</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 to shareholders' questions raised.</p> <p>Shareholders were 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.</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 remains relatively small with a large majority of them are Malaysians. Hence, the concern over voting in absentia and/or remote shareholders' participation at AGM does not apply.</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>The Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders who are unable to attend and vote in persons at general meetings.</p> <p>Nevertheless, the Company will consider to conduct a fully virtual AGM based on the guidelines issued by Securities Commission Malaysia in line with the requirements under the prevailing and applicable SOPs to contain the Covid-19 pandemic. Shareholders and proxies will be able to go online, participate and vote remotely at the AGM using the Remote Participation and Electronic Voting ("RPV") facilities.</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.
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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