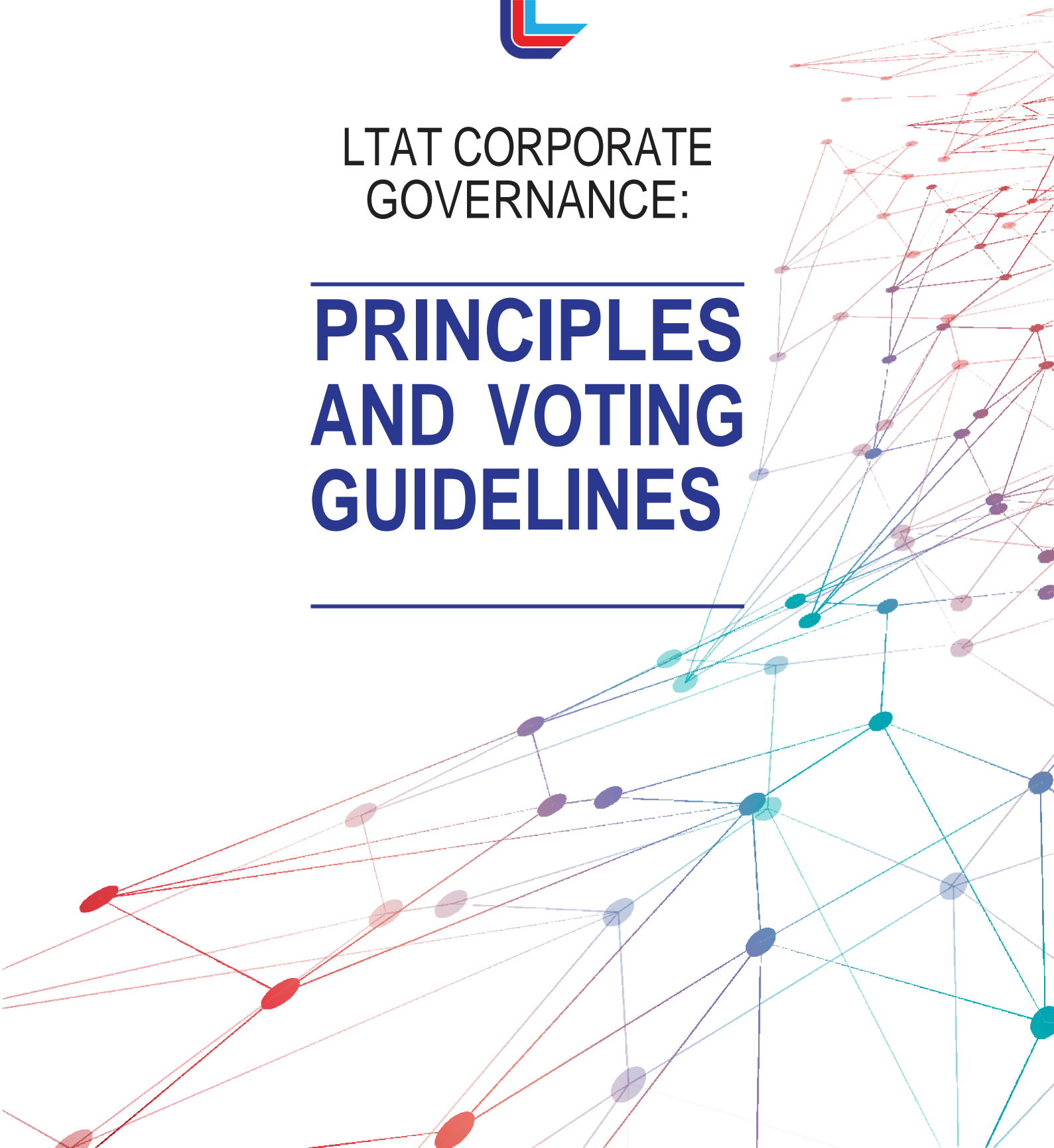


2nd Revision
Approved by the Board on 15 December 2022



LTAT CORPORATE
GOVERNANCE:

PRINCIPLES AND VOTING GUIDELINES



FOREWORD

The LTAT Corporate Governance: Principles and Voting Guidelines (the Guidelines) marks LTAT's commitment to promote good corporate governance practices amongst our investee companies. LTAT is moving towards applying the Guidelines in dealings with corporate actions and governance practices of our investee companies.

The Guidelines focused on the expectations and responsibilities of our investee companies' Board of Directors towards achieving higher level of commitment and changes towards the criteria for their re-election. Thus, the Guidelines will enhance the overall governance of our investee companies via the setting up of Board committees (including recommendations on the committees' roles and composition) for several functional areas.

LTAT in its move towards a responsible investing approach, looks beyond financial aspects in our investment selection process. LTAT expects its investee companies to implement policies which will ensure the creation of sustainable shareholder value in the long term. As such, we have included recommendations for our investee companies to disclose their policies and implementation of the Environmental, Social and Governance aspects of their operations in their Annual Report and website.

LTAT also recommends its investee companies to adopt a high level of transparency and disclosure in both financial and operational areas. This includes disclosures on gender and ethnic diversity in their Board of Directors and staff composition.

With the regular updates on corporate governance practices and policies will benefit our investee companies in their decision making process, particularly pertaining to matters that require approval from shareholders. We also encourage our investee companies to regularly engage LTAT via other mediums such as management briefings and dialogues to facilitate a better understanding of the specific circumstances of the respective investee companies.

Thank you.

Dato' Ahmad Nazim Abd Rahman
Chief Executive

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1.0

BACKGROUND

LTAT recognise the importance of the principles of corporate governance in conducting the affairs of LTAT and its investee companies.

“Corporate governance is the process and structure used to direct and manage the business and affairs of the companies towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interest of other stakeholders”.

-Finance Committee on Corporate Governance (Report on Corporate Governance, Malaysia, February 1999)

Companies that are well managed from the corporate governance perspective will provide higher returns and lower risks in the long term. Thus, LTAT has chosen to pursue active engagement with investee companies on corporate governance and strategies which should embed Environmental, Social and Governance (ESG) related aspects of their operations.

2.0

SCOPE AND PURPOSE

2.1 SCOPE

This Corporate Governance: Principles and Voting Guidelines applies to LTAT’s domestic equity investments in listed companies.

2.2 PURPOSE

The purpose of this document is to:

- i. Communicate LTAT’s principles on corporate governance and voting policy to its investee companies with the aim to enhance their corporate governance;
- ii. Serve as a guideline for LTAT in monitoring the conduct of its investee companies; and
- iii. Serve as a guideline in the manner LTAT will vote for resolutions raised in AGMs/ EGMs.

3.0

CORPORATE GOVERNANCE GUIDELINES

3.1 PROACTIVE INVESTMENT MONITORING

LTAT encourage proactive investment monitoring by:

- i. Consistency and alignment with the respective management strategies and policies;
- ii. Reputable and proactive Board members with the ability to fulfill their roles in monitoring and governing the management of the companies;
- iii. Prompt and sufficient disclosures and announcements; and
- iv. Ensure shareholders' voting rights are respected at all times.

Corporate governance practices can be enhanced further by engaging in proactive and constructive discussions with the management of its investee companies.

This shall be undertaken via voting for/against/abstaining from voting on board proposals and may include influence over decisions pertaining to:

- i. Policies (such as disclosure and voting policies);
- ii. Corporate transactions (including mergers and acquisitions);
- iii. Restructuring exercises; and
- iv. Engagement and remuneration of directors.

3.1.1 Approach to Investment Monitoring

LTAT shall actively engage with its investee companies via:

- i. Meetings and dialogues with the management;
- ii. Active participation in AGMs and EGMs;
- iii. Writing to express its concerns; and
- iv. Board representation, where applicable.

3.2 BOARD OF DIRECTORS OF INVESTEE COMPANIES (THE BOARD)

3.2.1 Board's Responsibility

The Boards' responsibility is to ensure the investee companies's success over the long term is consistent with their statutory duties and necessitate their fiduciary duty to the shareholders.

i. Demarcation of Roles and Responsibilities

The Board should establish clear roles and responsibilities of the Board and those delegated to management. This provides better demarcation of roles, responsibilities and promotes accountability of the parties.

ii. Fulfillment of Responsibilities

a. Strategic Plan

The Board should review, adopt and monitor the implementation of the strategic plan for the investee companies.

b. Performance

The Board should oversee and measure the performance of the investee companies.

c. Risk Management

The Board should establish a sound risk management framework which encompasses sufficient risk management systems and internal control systems to monitor and manage all risks.

d. Succession Plan

The Board should ensure that the investee companies has an effective succession plan in place. This also includes a succession plan for non-executive members of its Board and senior management.

e. Integrity of Reporting and Internal Controls

The Board shall ensure that the investee companies has established a sound framework of internal controls and compliance.

iii. Ethical Standards

LTAT recommends its investee companies to disclose its Code of Conduct which should be periodically reviewed and updated. The Code of Conduct should include processes and communication channels that facilitate whistle blowing.

iv. Prompt Dissemination of Information

It is recommended for the Board to establish procedures to allow the Board members access to accurate and complete information and advice in order for the Board to discharge its duties effectively.

In addition, the investee companies should have appropriate corporate disclosure policies and procedures which comply with the disclosure requirements as set out in the Bursa Malaysia Listing Requirements. LTAT recommends its investee companies to leverage information technology for effective dissemination of information to its stakeholders.

v. **Board Charter**

To emphasise the directors' commitment to governance, the Board Charter should be developed to serve as a reference tool and benchmark to facilitate regular assessment of the Boards' performance. LTAT recommends the Board to periodically review and publish the Board Charter on the investee companies' website.

vi. **Disclosure of Ethnicity in Annual Report**

In line with the objective of inclusiveness in the New Economic Model (NEM), investee companies are encouraged to disclose the workforce ethnicity composition in their Annual Report. Investee companies should emphasise diversity as a source of strength and subsequently promote sustainability and Socially Responsible Investing (SRI).

3.2.2 Board Composition

The Board should have a balance of independent and non-independent non-executive directors in that no individual or small group would dominate the Boards' decision making. LTAT recommends that its investee companies abide by Bursa Malaysia's requirement that at least one-third of the number of directors on their Board should be independent directors.

3.2.3 Board Size

The investee companies should observe its Board size according to the structure and circumstances of the investee companies. The Board should be adequate in size to ensure an effective decision-making process as well as to capture the diversity of skills and expertise necessary for the best interests of shareholders and active participation of every director.

LTAT recommends a Board size of at least seven (7) Board members and the size may be increased depending on the diversity of the investee companies' business.

3.2.4 Separation of Power between Chairman and Chief Executive

LTAT recommends a clear division of responsibilities at the top of the investee companies and this should be clearly defined in the Board Charter. The working of the Board and the executive responsibility of the investee companies' business should ensure a balance of power and authority, such that no individual represents a considerable concentration of power.

In addition, LTAT recommends the Chairman to be a non-executive member of the Board and should be neither the Chief Executive nor a former Chief Executive. This will ensure that the Board can meet its obligations more objectively.

Where the Chairman is not an independent director, the Board should comprise a majority of independent directors.

Note:

An independent director is a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the investee companies.

3.25 Board Meetings

The Board should meet regularly as warranted by particular issues, sizes and the complexity of the investee companies. Attendance of directors and the frequency of the Board meetings held in the year should be disclosed in the investee companies's annual report.

3.26 Re-election of Directors

All directors shall submit themselves for re-election at least once every three (3) years.

3.27 Board Committees

The investee companies are recommended to have at least four (4) key committees mainly comprised of independent non-executive directors i.e. Audit Committee, Remuneration Committee, Risk Management Committee and Nomination Committee.

i. Audit Committee

- a. To establish policies and procedures to assess the suitability and independence of external auditors as well as ensuring financial statements comply with applicable financial reporting standards. It is recommended that the Board should establish an internal audit function which reports directly to the Audit Committee.
- b. To ensure the financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.

ii. Risk Management Committee

- a. To assist the Board in the effective discharge of its primary responsibilities of identifying principal risks and implementing appropriate systems and risk assessment processes to manage such risks.

iii. Nomination Committee

- a. To comprise exclusively of non-executive directors, a majority of whom must be independent.
- b. The roles of the Nomination Committee should include developing, maintaining and reviewing the criteria to be used in the recruitment process and annual assessment of directors.

- c. The Nominating Committee should develop criteria to assess the independence of the independent directors (with the tenure of directorship taken into account as one of the criteria).
- iv. Remuneration Committee
 - a. To consist exclusively of or majority of, non-executive directors that are responsible to establish formal and transparent remuneration policies and procedures to attract and retain directors.
 - b. LTAT encourages its investee companies to disclose its Board remuneration policies and procedures in its Annual Report.

LTAT encourages its investee companies to define and disclose the responsibilities, composition and procedures of all its Board subcommittees.

3.2.8 Election of Directors

It is in the best interest of LTAT as a shareholder that the investee companies continue to be dynamic and deliver sustainable returns for the shareholders.

This includes the Board setting out expectations on time commitment for its members and protocols for accepting new directorships.

LTAT recommends that non-executive directors serve on not more than five (5) public listed companies Boards to ensure they can effectively devote their time to the Board they serve.

LTAT prefers investee companies:

- i. To be transparent with the details including the tenure, remuneration and criteria for the appointment of its directors; and
- ii. To undertake assessment of its independent directors annually.

3.3 OTHER MATTERS

3.3.1 Director's Report, Financial Statements & Auditors' Report

The investee companies should disclose the Director's Report, Financial Statements and Auditors' Report. The material items should be included in the investee companies' latest Annual Report.

3.3.2 Appointment of Auditors

The investee companies should have an external audit that ensures the integrity, scope and quality of the audit.

The investee companies should provide explanations in the event of any change in their auditors (to be made either via Annual Report or AGM).

3.3.3 Director's General Mandate to Issue Shares

Where a general mandate is sought by the investee companies, LTAT prefers the proposed resolution to be accompanied with the following information:

- i. Whether the mandate sought is new or renewal;
- ii. If it is a renewal, to specify the proceeds raised previously (if any), and to give the details and the status of the utilisation of the proceeds; and
- iii. If new, to specify the purpose and utilisation of proceeds resulting from the issuance.

3.3.4 Shareholders' Mandate for Related Party Transactions of Revenue or Trading Nature

LTAT prefers its investee companies to enforce a transparent process for identifying and managing conflicts of interests.

LTAT recommends the investee companies to disclose all material information related to all Related Party Transactions (RPTs) to shareholders accurately, comprehensively and promptly (above and beyond the minimum disclosure requirement under Bursa Listing Requirement).

The investee companies' Recurrent Related Party Transactions (RRPTs) should preferably be conducted on sound commercial terms and undertaken only in the interest of the investee companies and not individuals' interest.

The investee companies are encouraged to make a statement in the circular to shareholders on whether or not the transactions are at arms' length and are conducted in the best interest of the companies.

The investee companies' Board should preferably disclose the identity of the related party and the value in monetary terms of the transaction.

The Board should preferably disclose details of any dissension to the RPTs/RRPTs.

3.3.5 Exercise of Ownership Rights by Shareholders

It is the responsibility of the Board to take reasonable steps to encourage shareholders' participation at general meetings. The Board can demonstrate their commitment to shareholders by ensuring that the investee companies publish these measures on its corporate website.

The Board should encourage poll voting and promote effective communication (including proactive engagements) with shareholders.

3.3.6 Internal Audit Function

The Board must ensure that the investee companies has a strong internal auditing function in place. Internal audit function must be an independent, objective assurance and consulting activity designed to add value to and improve the investee companies' operations. It shall help the investee companies to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.0

LTAT's VOTING GUIDELINES

4.1 BASED ON THE CORPORATE GOVERNANCE GUIDELINES AS STATED IN CLAUSE 3.0 ABOVE, LTAT TO ADOPT THE FOLLOWING VOTING GUIDELINES:

i. Directors' Attendance at Board Meeting

LTAT will vote **AGAINST** the re-election of a director who has failed to attend at least seventy-five percent (75%) of the scheduled Board and other committee meetings as disclosed in the Annual Report.

ii. Re-election of Directors

LTAT will vote in **FAVOUR** of the re-election of a director if:

- a. The director possesses the qualification, experience and sound reputation which could contribute positively to the investee companies' business; or
- b. The directors are the founder of the companies.

LTAT will vote **AGAINST** the re-election of a director, if based on LTAT's on-going observation, that:

- a. The director has poor reputation and conduct;
- b. The director does not act in the best interest of shareholders; or
- c. The director has a poor record in any other companies.

LTAT will vote **AGAINST** the re-election of a director that serves on more than five (5) public listed companies Boards.

iii. Age of Directors

LTAT will vote **AGAINST** the re-election of directors aged above seventy-five (75) years old (with exception given to founder of the investee companies in which case LTAT will vote in FAVOUR of the re-appointment).

iv. Tenure of an Independent Director

LTAT will vote **AGAINST** the re-election of Independent, Non-Executive Director who has served on the Board for a cumulative term of nine (9) years or more.

LTAT recommends that an Independent Director who seeks to continue to serve on the Board upon completion of nine (9) years to be redesignated as a Non-Independent Director.

Notwithstanding Clause 4.1 (iv) above, LTAT may deviate from these voting guidelines and use its discretion to vote in a way it deems appropriate or abstain from voting, on a case-to-case basis.

v. **Directors' Fee**

LTAT will vote **AGAINST** the increase in directors' fees and/or benefits if:

- a. The increase in fees is excessive and does not commensurate with the Companies' performance.
- b. The Board has failed and was ineffective in discharging its duties and responsibilities.

vi. **Authority to Allot and Issue Shares**

LTAT will vote in **FAVOUR** of the resolution if the proposed utilisation of proceeds is deemed to benefit both the investee companies and ultimately its shareholders.

LTAT will vote in **FAVOUR** of such resolution tabled by financial institutions in Malaysia, on the basis that these financial institutions are required to comply with more stringent capital requirement imposed by Bank Negara Malaysia.

LTAT will vote **AGAINST** such resolution if the companies fail to state specifically the purpose and planned utilisation of the proceeds to be raised from such a mandate.

LTAT will vote **AGAINST** such resolution if the proceeds are utilised for exercise that is in LTAT's opinion not beneficial to the investee companies and/or shareholders.

vii. **Authority for Purchase of Own Shares by the Companies**

The investee companies must ensure that the share buy-back scheme is conducted in the best interest of the shareholders.

LTAT will vote in **FAVOUR** of such resolution if:

- a. The investee companies have a strong balance sheet and cash flow; and
- b. The investee companies have a good dividend payment record.

LTAT will vote **AGAINST** such resolution if the exercise is, in LTAT's opinion, detrimental to the investee companies and/or its shareholders.

viii. **Employees Share Options Scheme ("ESOS")**

LTAT will vote in **FAVOUR** of the proposed ESOS if:

- a. It is offered to executive directors and other employees of the investee companies; and
- b. The criteria and basis of ESOS offering are performance driven.

LTAT will vote **AGAINST** the proposed ESOS if:

- a. The total ESOS issued exceeds ten percent (10%) of the investee companies' paid-up capital;
- b. One Hundred percent (100%) of the ESOS could be vested or divested immediately; or

- c. The investee companies intend to award the ESOS to non-executive/ Independent Directors of the companies.

ix. Transactions and Corporate Exercise

LTAT will vote **AGAINST** transaction/corporate exercise which:

- a. Is detrimental to the companies and/or to LTATs' investment returns (in medium and/or long term); and/or
- b. Will have an adverse effect on sustainability and/or Environmental, Social and Governance.

4.2 NOTWITHSTANDING CLAUSE 4.1 ABOVE, LTAT MAY DEVIATE FROM THIS VOTING GUIDELINES AND USE ITS DISCRETION TO VOTE IN A WAY IT DEEMS APPROPRIATE OR ABSTAIN FROM VOTING, ON A CASE-TO-CASE BASIS.

5.0

OTHER INVESTMENT MONITORING PRACTICES

5.1 SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Apart from being a return focused organisation, LTAT expects its investee companies to generate sustainable shareholder value in the long term.

To ensure sustainability, the investee companies are required to effectively manage the ESG aspects of its operations as well as the financial aspects.

This includes the requirements for the investee companies to:

- i. Adopt sound corporate governance and business ethics policies;
- ii. Effectively manage their relationships with stakeholders including customers, employees (eg: employee benefits and corporate culture), suppliers, vendors, the community and the environment;
- iii. Adopt long term environmental policies which exceeds statutory requirements and promote usage of resources in more productive, efficient and sustainable manner; and
- iv. Embark on long term social sustainability which includes community development activities and policies that take into account the welfare, health and safety within the companies' area of operation.

It is recommended that the Board ensures the investee companies disclose these policies and their implementation via ESG report in their annual report and corporate website.

LEMBAGA TABUNG ANGGARAN TENTERA

Ground Floor, Chulan Tower,
No 3, Jalan Conlay,
50450 Kuala Lumpur.
+603 4815 8888

www.ltat.org.my