

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5878
COMPANY NAME : KPJ Healthcare Berhad
FINANCIAL YEAR : December 31, 2022

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application :	Applied
Explanation on application of the practice :	<p><u>Board Duties and Responsibilities.</u></p> <p>Overview : All members of the Board contribute significantly in the areas of formulation of strategic direction and policies, performance monitoring and allocation of resources and enhancement of controls and governance.</p> <p>The Board and Management jointly promote a healthy Corporate Governance ("CG") culture which reinforces ethical, prudent and professional behaviour in accordance with the Malaysian Code on Corporate Governance. The Board plays an active role in guiding the Management through its oversight while at the same time steering the Group's business direction and strategy.</p> <p>The Board has established CG Model for the Group to ensure that its duties and responsibilities are carried out effectively. As indicated in the CG Model, the Board delegates specific authority to its relevant Board Committees, based on clearly defined Terms of Reference. There are 5 Board Committees namely Audit Committee ("AC"), Risk, Sustainability & Governance Committee ("RSGC"), Tender Committee ("TC"), Nomination & Remuneration Committee ("NRC"), and the Investment Committee ("IC").</p> <p>Board's Focus encompass :</p> <p>1. Upholding good governance</p> <p>The Board, with support of the Management, fosters a culture of strong Corporate Governance (CG) throughout the organisation guided by the Malaysian Code on Corporate Governance (MCCG). The emphasis on a CG-compliant culture is a major driver of the Board's continuous effort to strengthen investor trust in KPJ's business.</p> <p>The organisation's governance model and its processes are established on the Board Charter and Terms of Reference of its respective committees, which delegate relevant matters and applicable limits, including those reserved for Board approval, as well as that which the Board may delegate to respective Board committees, or the President & Managing Director (PMD) and the Management.</p>

2. Development of the Company's transformation strategy and monitoring of its performance and implementation

The Board plays an active role in the development and monitoring of the Company's strategies' development, implementation and performance. At each of its quarterly meetings, the Board reviews the operational and financial performance, and the year-to-date actual performance against the set targets and budget. In addition, the Board will review and guide the corporate strategy (including sustainability materiality issues), major plans of action, risk management policy and procedures, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions, and divestments on an ongoing basis.

The PMD is responsible for the day-to-day management of the business and operations of the Group. This includes driving the strategic management of the material sustainability matters. PMD is supported by the KPJ Group Management Committee (KGMC) and other committees established under the Group's Management Governance framework. The relevant members of the Management are present at Board meetings to support the PMD in presenting operational and financial updates, the progress of key initiatives and achievement to date, and provide clarification on queries and issues raised by the Board.

The Board reviewed and received updates on the strategic business strategy for the years 2022–2025 during its meeting on 18 February 2022. The plan consists of two phases of the transformation journey: Phase 1 (2021): "Re-energizing KPJ", and Phase 2: "Transforming the Growth," which will take place between 2022 and 2025.

Phase 1 introduced a new organisational structure (leveraging the hub-and-spoke model) where the Group's hospitals were divided into regional hospital groupings helmed by Regional Chief Executive Officers (RCEOs) who report to the Chief Operating Officer (COO). The COO is tasked with overseeing hospital operations, providing overall direction to the RCEOs, as well as overseeing the implementation and development of agreed upon strategic objectives, which is then updated to the Board at its quarterly meetings.

The first phase of the "Re-energizing KPJ" transformation programme has been completed successfully, resulting in the following groupings:

- i. Northern Region (6 hospitals);
- ii. Central Region I (5 hospitals);
- iii. Central Region II (4 hospitals);
- iv. Southern Region I (3 hospitals);
- v. Southern Region II (4 hospitals);
- vi. East Coast Region (2 hospitals); and
- vii. East Malaysia Region (4 hospitals).

Phase 2, which is to run from 2022 to 2025, is called "Transforming the Growth" and expects a more positive business environment to deliver growth over the next three years. The Group's efforts on the economic front are also being bolstered by the KPJ's digital transformation efforts. A new state-of-the-art Hospital Information System (HIS) that has been rolled out at the Damansara Specialist Hospital 2 heralds the Group's digital health ecosystem.

3. Recognise the importance in developing strategies in ESG underpinning sustainability

The Board recognises the significance of developing ESG strategies to support KPJ's business sustainability.

In March 2022, the Board approved PwC Malaysia's appointment as a Sustainability consultant, advising on Sustainability and Climate Risk Frameworks in response to the call for action on climate change. This is a part of the first phase of the transformation programme.

PwC facilitated KPJ's Sustainability workshop with the internal representatives in order to address and prioritise sustainability issues pertinent to the Group and its key stakeholders. The workshop to develop the KPJ's sustainability framework was held in the context of post-pandemic trends in the healthcare industry, under the guidance of the most recent *Main Market Listing Requirements (MMLR)* amendments on sustainability, and in alignment with the *Sustainable Development Goals (SDGs)* Agenda 2030, the UN Global Compact and FTSE4Good, as well as investors' expectations, (including Employees Provident Fund's (EPF) Sustainability Investment Policy).

As a guide for KPJ's pursuit of sustainability, the KPJ Sustainability Framework is comprised of 17 refined material Environmental, Social, and Governance (ESG) issues organised into four themes covering all three ESG aspects, with its corresponding objectives and sustainability targets by 2025.

The themes encompass:

- Uplifting our Patients and Communities
- Fostering our People
- Protecting our Environment
- Upholding Good Governance

4. Identifies and manages principal risks while ensuring the implementation of appropriate systems to manage these risks

The Risk, Sustainability, and Governance Committee (RSGC), a Board Committee, assists the Board in fulfilling its responsibilities with regards to risk governance and risk management, in order to manage the overall risk exposure of the Group.

The RSGC'S TOR highlights that it supports the Board by overseeing the Risk Management, Sustainability & Governance framework of KPJ and its group of Companies (Group) and regularly assessing the framework to ascertain its adequacy and effectiveness.

RSGC monitors the key risks facing the business in order to stay current on governance practices relating to these risks. The identification of bribery risk for hospitals and subsidiary companies has been initiated and developed progressively. In addition, RSGC advises the Audit Committee (AC) and the Board on areas of high risk as well as on the adequacy of compliance and control procedures throughout the organisation.

As a healthcare services provider, clinical risk forms the biggest risk class the Group faces. The newly formed Group Medical Advisory and Clinical Governance (GMACG) takes over the former Medical Advisory Committee (MAC) as the apex-committee for all clinical matters of the Group. Details are as set out under Practice 9 in this report.

The RSGC is also accountable for overseeing the compliance with regulatory and statutory requirements, business continuity management and Integrity Unit (“IU”) functions of the Group.

5. Oversees the conduct of the Company’s business

The Board emphasises the significance of upholding moral and ethical standards throughout the organisation. The same holds true for the Company's financial and non-financial reporting in order to ensure accuracy, timeliness, transparency, and compliance with the applicable standards.

The RSGC is responsible for overseeing the implementation, monitoring, and evaluation of the KPJ Integrity and Anti-Bribery Plan 2020–2022. The strategy, which encompasses a three-year plan, aims to strengthen the organization's governance, integrity, and anti-corruption controls. In accordance with Paragraph 15.29 of the Main Market Listing Requirements (“MMLR”) for anti-corruption and whistle-blowing, the Group has published its Anti-bribery Management Systems (ABMS) Policy, along with other governance documents, on the Investor Relations page of KPJ's website at https://kpi.listedcompany.com/corporate_governance.html

- a) The Board, via RSGC, reviewed and approved the revised Whistleblowing Policy on 31 October 2022. This policy reflects the Board's commitment to uphold the highest standards of integrity, professionalism, and ethics in carrying out their responsibilities for KPJ Group. In addition to revising the whistleblowing channel reports from 3-tier to the Chairman of the Whistleblowing Committee (“WBC”), the composition of the WBC has been revised, whereby the permanent members are Independent Non-Executive Directors (“INEDs”) from the RSGC. The Chairman of the WBC is the Senior Independent Non-Executive Director (“SINED”). The Board has approved the WBC's TOR on 23 November 2022 and made it accessible to the public on the KPJ's website.
- b) In continuous and concerted efforts to prevent corruption, a total of 40 Integrity Ambassadors was appointed as of 2022 to promote ethical values among the employees and to ensure compliance with the Anti-Bribery Management System SOP and Group Integrity implementation plan.
- c) The Group is also enhancing the highest integrity values to the members of its supply chain. The Integrity Pact was undertaken by vendor and suppliers throughout the Group by implementing the Integrity Declaration and the exercise is ongoing.

6. Reviews the adequacy and integrity of the Group’s internal controls and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines

Board’s function in fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both Board and Management levels. Aided by the Group Internal Audit Services that operates independently, the active functioning of these Committees provides a strong check and balance, as well as assurance on the adequacy of the Group’s internal controls. Detailed discussion of these functions are elaborated in the Audit Committee Report; and the Statement on Risk Management and Internal Control sections of the Integrated Report.

The Board is also responsible for ensuring the smooth function of core processes, board governance, corporate values and ethical oversight. The Independent Non-Executive Directors will further provide an independent and objective perspective that acts as an effective check and balance mechanism in deliberating the above mentioned.

7. Succession planning

The Board, through the NRC, is in charge of making sure that the succession planning for the Board and senior management in the Group is done in an effective and orderly way. This includes reviewing candidates for Directorship and key management positions to make sure they are of a high enough quality based on their profiles, professional achievements, and personality assessments. According to the NRC's Terms of Reference, it is in charge of coming up with nomination, selection, and succession policies for the Group's key management positions, such as President and Managing Directors.

- a) In discharging its responsibility on succession planning, the NRC receives succession management as well as talent development updates from Group Human Resources ("GHR") in accordance with the approved succession management framework on a half yearly basis.
- b) The Board through its NRC evaluated the Board's current composition, including the optimal size and diversity in terms of gender (to meet the requirement of 30% women directors in accordance with Practice 5.9 of the MCCG), race/ethnicity, and skills/experience. In this review, the NRC will consider both the Company's strategic direction and the Board members of comparable exchanges and/or companies.

The Board is aware that having a diverse group of individuals on the Board is essential for making the best decisions by utilising a variety of ideas and perspectives.

- c) Taking into consideration the appropriate mix of skills, experience and strength in qualities which would be relevant for the Board to ensure it is equipped to meet the evolving competitive landscape and technological changes faced by the Group, the Board approved of the enhancement of the roles of the Risk and Governance Committee (RGC). The RGC was renamed the Risk, Sustainability and Governance Committee (RSGC) in November 2022. Its Terms of Reference (TOR) has been revised to place greater emphasis on the members' roles in examining the organisation's operations from a sustainable standpoint.

8. Develops and implements the Investor Relations ("IR") programme for effective shareholder and stakeholder communications for the Group

The Group has introduced many activities regarding the engagement and communication with stakeholders (including investors) to ensure that they are well-informed about the Group's affairs and development in accordance with its IR policy. Details of the IR activities can be found at Stakeholder Engagement section of the Integrated report.

9. Commitment of Board Members

The Board meets on a quarterly basis with additional meetings convened for specific matters when necessary. Meetings are scheduled ahead to facilitate Directors' attendance. For the financial year 2022, the schedule of meetings was fixed by November 2021. During the year ended 31 December 2022, the Board Members remain committed

and dedicated in fulfilling their duties and responsibilities, reflected via their attendance at each Board and Board Committee meeting as shown below :

No.	Director	BOD	AC	TC	RSGC*	NRC	IC
Non-Independent Non-Executive Directors							
1.	Datuk Md Arif Bin Mahmood - Chairman ^(a)	7/7					
2.	Prof Dato' Dr Azizi Bin Haji Omar	11/11			6/6	11/11	
3.	Rozaini Bin Mohd Sani ^(b)	11/11	8/8	9/9	2/2		
4.	Shamsul Anuar Bin Abdul Majid	11/11				11/11	5/5
5.	Annie Binti Rosle	9/11		8/9			3/5
	Tan Sri Dr. Ali Bin Hamsa - Chairman ^(c)	0/4					
Independent Non-Executive Directors							
6.	Mohamed Ridza Bin Mohamed Abdulla	11/11			6/6	11/11	5/5
7.	Dato' Mohd Redza Shah Bin Abdul Wahid ^(d)	11/11	8/8	8/9		8/8	5/5
8.	Khairuddin Bin Jafus	11/11	8/8	9/9	6/6		
9.	Hisham Bin Zainal Mokhtar ^(e)	9/11	8/8		2/2	8/8	5/5
10.	Lee Lai Fan ^(f)	6/6		3/3		3/3	
	Dato' Yusli Bin Mohamed Yusoff ^(g)	2/2				1/1	
	Lydia Anne Abraham ^(h)	5/5	3/3	4/4	2/2		
Executive Director							
	Dato' Mohd Shukrie Bin Mohd Salleh ⁽ⁱ⁾	3/3					
	Ahmad Shahizam Bin Mohd Shariff ^(j)	4/4					
TOTAL NUMBER OF MEETINGS		11	8	9	6	11	5

 Chairman

Notes:

- (a) Appointed as Chairman, Non-Independent Non-Executive Director (NINED) w.e.f. 1 April 2022
 (b) Appointed as RGC member w.e.f. 8 September 2022
 (c) Resigned as Chairman, NINED, w.e.f. 31 March 2022
 (d) Re-designated as Senior Independent Non-Executive Director w.e.f. 1 April 2022; and appointed as member and Chairman of the NRC w.e.f. 1 April 2022
 (e) Appointed as RGC member and resigned as NRC member w.e.f. 8 September 2022
 (f) Appointed as an Independent Non-Executive Director (INED) w.e.f. 7 July 2022; and appointed as member of the TC and NRC w.e.f. 8 September 2022

- (g) Appointment as NRC Chairman ceased with his demise on 10 March 2022
 (h) Retired as INED at the conclusion of the 29th AGM held on 28 June 2022; and retired as member of the AC, TC and RGC on the same date
 (i) Appointed as Managing Director w.e.f. 1 April 2022. Resigned as Managing Director w.e.f. 7 September 2022
 (j) Resigned as Managing Director w.e.f. 31 March 2022
 * Now known as Risk, Sustainability and Governance Committee w.e.f. 23 November 2022

Explanation :
for departure

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

Measure :

Timeframe :

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The roles and responsibilities of the Chairman of the Board are stated in paragraph 4.9.5 of the Board Charter ("BC"), which is available on KPJ's corporate website at: https://kpi.listedcompany.com/corporate_governance.html</p> <p>Some of the specific responsibilities of the Chairman include:</p> <ol style="list-style-type: none">1. The Chairman leads the Board by setting the tone from the top, and managing the Board's effectiveness by focusing on strategy, governance and compliance having regard to public interest. In turn, the Board monitors the functions of the Board Committees in accordance with their respective Terms of Reference to ensure its own effectiveness.2. The Chairman of the Board is responsible for instilling good corporate governance ("CG") practices in the organisation. The Chairman of KPJ leads the Board in the adoption and implementation of good governance practices.3. Providing leadership for the Board and sets the tone from the top for overall Board and individual Director's performance and effectiveness.4. The Chairman with the assistance of the Company Secretary sets the board agenda for each meeting based on the dates of scheduled Board meetings in the annual meeting calendar, and the same is circulated to the Board Members accordingly.5. The Chairman ensures that Board is properly briefed on issues arising in the meeting with accurate, clear, complete information in a timely manner.6. The Chairman promotes effective relationship and open communication, encourages constructive debates during Board meetings.7. The Chairman encourages effective communication with stakeholders so that every Director will understand stakeholders' views.
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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 roles of the Chairman of the Board and the President & Managing Director (PMD), as well as the Non-Executive Directors (NEDs) are kept separate with a clear division of responsibilities, in line with best practices. This is outlined in paragraph 4.9 of the BC which indicates clear segregation to ensure balance of power and authority as below:</p> <p>Board Leadership</p> <p>The Group complies with the requirement to have the position of the Chairman and President & Managing Director ("PMD") held by two separate individuals.</p> <p>The Chairman of KPJ's Board is Datuk Md Arif Mahmood (Non-Independent Non-Executive Director) who was appointed on 1 April 2022. He is responsible to lead the Board by providing oversight over the strategies and business affairs of the Group whereas the PMD manages the business and operations of the Company and implements the Board's decisions. The distinct and separate roles of the Chairman and the President and Managing Director, with their clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.</p> <p>Puan Norhaizam Mohammad, KPJ's Chief Financial Officer, started serving as the Officer in Charge (OIC), effective 7 September 2022 following the resignation of Dato' Mohd Shukrie Mohd Salleh, who had served as the PMD from 1 April 2022 to 7 September 2022. The OIC carries the same responsibilities, authority and oversight as per the PMD, until a formal appointment of a new PMD is made in due course.</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	:		
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Intended Outcome

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

Practice 1.4

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

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
Application	: Applied
Explanation on application of the practice	: As of 31 December 2022, the Chairman of the Company is not a member of any Board Committee, i.e. neither the Audit Committee ("AC") nor the Nomination & Remuneration Committee ("NRC") of KPJ Healthcare. Board Committees have written Terms of Reference (TOR) which outline their authority and duties. These TORs are disclosed on the company's website at: https://kpi.listedcompany.com/corporate_governance.html
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

Intended Outcome

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

Practice 1.5

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

Application	: Applied
Explanation on application of the practice	<p>Two Company Secretaries served the Company under Section 235(2) of the Companies Act 2016 (CA) in 2022.</p> <p>Ms. Teh Peng Peng was appointed as a Joint Company Secretary on 26 November 2021 and resigned on 1 August 2022.</p> <p>Puan Hana Binti Ab Rahim@Ali was appointed as a Joint Company Secretary of KPJ Healthcare effective from 1 February 2013 and still serves in the same capacity to date.</p> <p>The Board has unrestricted access to the advice and services of Company Secretaries.</p> <p>The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, Board's policies, procedures and compliance with the relevant regulatory requirements, including codes or guidance and legislation. The Company Secretaries support the Board in managing the Group's Governance Model, ensuring it is effective and relevant.</p> <p>The Company Secretaries safeguard all statutory books and records of the Group, which are maintained in the statutory register of the Group. Company Secretaries also ensure that all Board meetings are properly convened; ensuring accurate and proper records of the proceedings and resolutions passed are recorded. The Company Secretaries also have to ensure that any change in the Group's statutory information be duly completed in the relevant prescribed forms and lodged with the Companies Commission of Malaysia within the prescribed period of time.</p> <p>The Company Secretaries manage all Board and Board Committees meetings and to ensure the deliberations at Board and Board Committees meetings are well documented, and subsequently communicated to the Management for appropriate actions. The Company Secretaries facilitate the orientation of new Directors and assist in director training and development.</p>

The orientation programme for new Directors namely Datuk Md. Arif bin Mahmood (who was appointed on 1 April 2022) and Miss Lee Lai Fan (appointed on 7 July 2022) were conducted on 25 and 26 April as well as on 8 August 2022, respectively. Secretaries also manage processes pertaining to the annual general meetings.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries.

The training programmes attended by the Company Secretaries in 2022 were as follows:

Name: Teh Peng Peng

No	Courses/Workshop	Date	Organiser
1.	SSM National Conference 2022: Corporate Governance & Sustainability Needed Now More Than Ever	26 & 27 July 2022	Companies Commission of Malaysia (SSM)

Name: Hana Ab Rahim @ Ali

No	Courses/Workshop	Date	Organiser
1.	SSM National Conference 2022: Corporate Governance & Sustainability Needed Now More Than Ever	26 & 27 July 2022	Companies Commission of Malaysia (SSM)
2.	MAICSA Annual Conference 2022: Challenging The Challenges In Governance	5 & 6 October 2022	Malaysian Institute of Chartered Secretaries and Administrators (MAICSA)

Explanation for departure :

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

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.6

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

Application	: Applied
Explanation on application of the practice	<p>The Board meets on a quarterly basis, with additional meetings convened for specific matters when necessary. Meetings are scheduled ahead to facilitate Directors' attendance.</p> <p>Prior to each Board meeting, the Notice of the Board Meeting and Board Report ("BR") will be circulated 5 days before the meeting, to all Directors so that each Director has ample time to peruse and review BR for further deliberation at the Board meeting.</p> <p>In line with KPJ's Sustainability initiatives which encourage a green environment for all the Board and Board Committees meetings, the Directors will be able to access the BR/meeting materials via Convene (a secure, efficient, and user-friendly mobile app where access to board papers and documents can be obtained securely on the Board members' mobile devices) instead of hard copy distributions before the meeting.</p> <p>The Board Report includes among others, the following details:</p> <ul style="list-style-type: none">• Minutes of meeting of the Board and all Committees of the Board;• Any matters arising from previous meetings;• Business strategies and corporate proposals;• Review of operational matters and financial report of the Group and quarterly financial report;• Review of clinical and professional services report;• Approval sought for capital expenditure and expansion project reports;• Reports on Audit Committee and Risk Management matters; and• Report of the Registrar. <p>There is also a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and programmes; annual budgets, including major capital commitments; new ventures; material acquisitions and disposals of undertakings and properties are material to the Group; and changes to management and control structure of the Group, including key policies, procedures and authority limits.</p>

	<p>The Board is fully aware of its duties and responsibilities with regards to the matters stated above. Decisions and deliberations at the Board meetings (whether any Director abstained from voting / deliberating on a particular manner) are recorded in the minutes of the meeting by the Company Secretaries. The minutes of the Board and Board Committees meeting will be confirmed at the next meeting of the respective Board and Board Committees.</p> <p>The Directors, whether collectively as a Board or in their individual capacities, have full access to all information within the Company and could, where necessary, obtain independent advice at the Group's expense, in furtherance of their duties and responsibilities.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BC was adopted in 2014 that has set out the key values, principles and ethos of the company, as policies and strategy development are based on these considerations. The BC has set out the roles, functions, compositions and proceedings of the Board. The BC provides guidance and captures good governance and compliance practices for the Board members.</p> <p>The BC is published on KPJ’s corporate website and reviewed every three years or when the need arises, to allow for updates or changes in regulations and best practices.</p> <p>All members of the Board contribute significantly in the areas formulation of strategic direction and policies, performance monitoring and allocation of resources and enhancement of controls of governance. The Board’s roles are set out in the BC. The key matters reserved for the Board’s approval are:</p> <ul style="list-style-type: none"> • Approval of corporate plans and programmes; • Approval of annual budgets, including major capital commitments; Approval of new ventures; • Approval of material acquisitions and disposals of undertakings and properties; and • Changes to the management and control structure within the Company and its subsidiaries including key policies, delegated authority limit. <p>In this respect, the Board also received further training from time to time through the Continuous Education Programme (CEP), particularly on relevant laws, regulations, changing commercial risks and environment as required by Paragraph 15.08(3) of the MMLR.</p> <p>The Board through the NRC annually assesses the training needs of its Directors to ensure that they are updated with the latest requirements. The Company Secretary will assist to schedule dates for training of Directors whether in a group or on an ad-hoc basis.</p>

During the year 2022, the Board members attended the following training programmes organised by various parties:

No.	Director	Training	Organiser	Date
1	Datuk Md Arif Mahmood	Malaysia Global Boardroom Programme	Deloitte Malaysia	17/11/22
		KPJ Asian Wall Street Journal (AWS) Innovation Workshop	Amazon.com	19/5/22
2	Dato' Mohd Redza Shah	Advocacy Programmes for Issuers	Bursa Malaysia	16/8/22
		KPJ AWS Innovation Workshop	Amazon.com	19/5/22
3	Mohamed Ridza Mohamed Abdulla	Sime Darby Property : Sustainable Leadership Workshop (Part 1)	Institute of Corporate Directors Malaysia ("ICDM")	6/1/22
		Director Conference <ul style="list-style-type: none"> • Section 17A, MACC Act • Pandemic Impact on the Business • Enhancing Governance & Leadership 	Terengganu Inc.	17/1/22
		Sime Darby Property : Tax Audit for Property Developers	PwC	17/1/22
		Mohamed Ridza & Co: Guide to Understand Financial Statements for Non-Accounting Professionals	Deloitte	2/3/22

		Training on Related Party Transaction	Malaysian Institute of Corporate Governance ("MICG")	22/3/22
		Bank Islam Malaysia Berhad: Fundamental Disruption of Asset Management and Securities	A.T Kearney	6/4/22
		Exploring a Low Emissions Pathway for Malaysia	CEO Action Network	21-22/4/22
		Sime Darby Property: Sustainability and Impact on Organizations : What Directors Need to Know	Asia School of Business	10/5/22
		Bank Islam Malaysia : Training on ESG Risk Assessment for Lenders and Asset Managers	Christoph M.Klein Moody's Analytics Singapore	22/6/22
		Sime Darby Property: Sustainable Leadership Workshop (Part 2)	ICDM	4/8/22
		Digital Marketing and Immerse Technology	Mohamed Ridza & Co	24/8/22
		Sime Darby Property: Pre-Board Engagement Macroeconomic Outlook	Sime Darby	6/10/22
		Understanding Requirements in Bursa	KPMG Board Leadership	2/11/22

		Malaysia's Enhanced Sustainability Reporting Framework	Center Exclusive	
		Sime Darby Property: Training and Updates on Cybersecurity	Institute of Corporate Directors Malaysia ("ICDM")	22/11/22
4	Khairuddin Jaflus	KPJ AWS Innovation Workshop	Amazon.com	19/05/2022
5	Shamsul Anuar Abdul Majid	Executive Education: Platform Strategies Digital Transformation.	University of Cambridge, Judge Business School, UK	Sept 22
		Executive Education: Strategic Change Management.	Northwestern University, Kellogg School of Business, USA	Nov 22
		IIBD: Stakeholders Engagement Workshop	Johor Corporation (JCorp)	1/3/22
6	Rozaini Mohd Sani	Pagoh Special Economic Zone (PSEZ) & Pusat Perindustrian Gambir (PPG) Visioning Workshop	Pagoh Special Economic Zone ("PSEZ")	27/2/22
		Ibrahim International Business District (IIBD) Stakeholders' Engagement Workshop	Johor Corporation (JCorp)	1/3/2022
		JCorp AWS Innovation Workshop	Johor Corporation (JCorp)	15-16/3/22
		C-Suite Executives ESG Workshop	Johor Corporation (JCorp)	12/5/22
7	Hisham Zainal Mokhtar	KPJ AWS Innovation Workshop	Amazon.com	19/5/22

	8	Prof Dato' Dr Azizi Hj Omar	KPJ Healthcare Medical Conference	KPJ Healthcare Berhad	14 – 16/7/22	
			Malaysian Thoracic Society Congress	Malaysian Thoracic Society (MTS)	14 – 16/10/22	
	9	Annie Rosle	ESG Materiality Workshop	Employees Provident Fund (EPF/KWSP)	24/1/22	
			Board and Leadership Talk	EPF/KWSP	7/2/22	
			Thought Leadership Webinar	EPF/KWSP	7/3/22	
	10	Lee Lai Fan	Masterclass: The Effective Board - Integral Components Required for Board Effectiveness	ICDM	11/10/22	
			Masterclass – Mergers & Acquisitions for Board	ICDM	17/10/22	
			Bursa Malaysia Mandatory Accreditation Programme (MAP)	ICDM	26-27/10/22	
			Section 17A Of MACC Act 2009 And Adequate Procedures	ICDM	3/11/22	
			FCD Series Module D: Financial Essentials For Non-Finance Directors	ICDM	9-10/11/22	
			Becoming A Future-Focused Risk Management Committee	ICDM	1/12/22	
	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>KPJ has in place clear, ethical and transparent business practice guidelines, applicable for Board members, the management and staff at all levels.</p> <p>KPJ holds firm to the belief that good governance, ethical practices and positive corporate culture need to be instilled by strong leaders, and embraced by the management and staff.</p> <p>As such, KPJ Directors are guided by the Code of Ethics under paragraph 5.3 of the Board Charter ("BC") which has documented clear policies for identifying and separating the functions and responsibilities between the Board and Management, as well as between the Chairman and the President & Managing Director in ensuring the smooth running of the Group's business and operations.</p> <p>The Board Charter is available on the Company's website at: https://kpi.listedcompany.com/misc/board_charter.pdf</p> <p>Among key aspects of the Code of Ethics are as follows:</p> <ul style="list-style-type: none">• Directors must avoid any conflict of interest between the directors and the Company. In any situation that involves or may be expected to involve a conflict of interest with the Company, Directors should immediately disclose their interest whether direct and indirect to the Company.

- Directors must at all-time act in the best interest of the Company and not for personal gain or enrichment. Specifically, Directors shall follow the following guidelines:-
 - Avoid placing own interest or any third-party interest above the Company;
 - Do not engage in any outside business that would directly or indirectly materially adversely affect the Company;
 - Do not abuse board membership by improperly using board membership for personal or third-party benefit;
 - Prevent corrupt practices which include offering and acceptance of gifts and other form benefits including , gratuities, honoraria or any other item of value from any person or entity as a direct or indirect inducement to provide special treatment to such donors;
 - Encourage the reporting of unlawful or unethical behaviour; and;
 - Protect and ensure the proper use of the company’s assets.

Similar principles are detailed in KPJ’s Policy on Work Ethics & Code of Conduct, which encompasses both the duty of the employee as well as the duty of the employer, and serves as a standard of conduct for all in their professional relationships, encompassing relationships include colleagues, patients or others served; members of the healthcare employees’ organization and other organizations, the community, and society as a whole.

Employees shall perform their duties with integrity, honesty, fairness and diligence; and adhere to the highest principles of dignity, respect, and confidentiality for a wide variety of people they encounter to include patients, families, staff members, community representatives, and a network of external providers. The Code is available at: https://kpi.listedcompany.com/policy_work.html

The Group also has specific measures to guide and uphold ethical business behaviour to safeguard KPJ as a business and prevent corrupt practices include:

Integrity Unit

- A dedicated Integrity Unit (“IU”) continued to spearhead integrity-focused initiatives. Formed with Board approval in February 2020, the GIU is headed by a Chief Integrity Officer (CIO), to meet the requirements of Section 17A of the Malaysian Anti-Corruption Commission Act 2009. The IU's primary roles are to :
 - i. Drive and embed integrity as a key factor in governance and ensure all the Anti-Bribery Management System (ABMS) policies and procedures are in place.

	<p>ii. Strengthen KPJ’s integrity-and-transparency centered corporate culture and practices (in line with KPJ’s own Core Value of Integrity which has been central to the organization) e.g. training & talks for the management and staff.</p> <p>iii. Advise the management and staff of the group on matters or queries related to integrity matter.</p> <p>ABMS policy is available at KPJ’s Corporate Governance section of the website: https://kpj.listedcompany.com/corporate_governance.html</p> <p><u>The Malaysian Code Corporate Governance</u></p> <ul style="list-style-type: none"> • The Company is guided by the Practices and Step-Ups in the MCCG, issued by Bursa Malaysia. • As required by Bursa Malaysia, KPJ’s Corporate Governance Report is submitted and uploaded annually on the website, which includes references made to initiatives made in each year under review – and whether these initiatives either apply or depart from the Best Practices contained in the MCCG. The reference can be found in https://kpj.listedcompany.com/corporate_governance.html <p><u>Internal Control Process</u></p> <ul style="list-style-type: none"> • Gift, Entertainment and Corporate Hospitality Policy and “Asset Declaration” Policy, which are applicable to all employees. The purpose of these policies is to uphold ethical and responsible behaviour by employees and avoid conflicts of interest in ongoing or potential business dealings between the Group, suppliers and service. • Integrity Pact: Formal procurement processes include criteria regarding tenders, contract and preferred supplier agreement. Contracted vendors and suppliers for medical and non-medical products are required to adhere to KPJ’s Corporate Integrity Agreement (CIA) and KPJ Safety, Health and Environment Policy. • Anti-Bribery & Anti-Corruption (ABAC) Policy as well as Whistleblowing (WB) Policy that outline the Group’s commitment to promote the highest standards of governance, ethics and integrity in all aspects of business dealings.
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

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 Board, via the Risk, Sustainability & Governance Committee (RSGC), reviewed and approved the revised Whistleblowing Policy on 23 November 2022.</p> <p>This policy reflects the Board's commitment to uphold the highest standards of integrity, professionalism, and ethics in carrying out their responsibilities for KPJ Group.</p> <p>In addition, there has been a revision of the whistleblowing channel from a 3-tier process to the setting up of the Whistleblowing Committee ("WBC"). The Chairman of the WBC is the Senior Independent Non-Executive Director ("SINED"), while the members are Independent Non-Executive Directors ("INED") from the RSGC who are not active politicians as defined in Guidance 5.5 of the MCCG.</p> <p>Agenda of the first WBC meeting on 11 April 2023 included :</p> <ol style="list-style-type: none">1) Terms of Reference (TOR) of WBC and2) Assessment of current whistleblowing process to assess its adequacy. <p>Further updates will be presented to the RSGC in its next meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board and management continue to make sustainability a key priority – in line with the MCCG’s guidelines and expectations.</p> <p>One of the key responsibilities of the Board under its Board Charter is ensuring that strategies on addressing sustainability objectives including economic, environmental and social (“EES”) matters are balanced with the interest of various stakeholders.</p> <p>The Board is ultimately accountable for ensuring that sustainability is integrated into the strategic direction of KPJ Group and its operations. To achieve this, the Board continuously ensures that there is an effective governance framework for sustainability within the Group.</p> <p>In this respect, the Officer in Charge (OIC), through the KPJ Group Management Committee (KGMC) which she chairs, assists the Board in overseeing the formulation, implementation and effective management of the Group’s sustainability strategies.</p> <p>A review of the Sustainability Governance structure was carried out, to further strengthen the framework for sustainability within the organisation. This resulted in the transformation of a Board Committee i.e. from the ‘Risk and Governance Committee’ (“RGC”) to the Risk, Sustainability, and Governance Committee (“RSGC”).</p> <p>Among RSGC’s TOR is to oversee the policies, processes and strategies designed to manage the Environmental, Social and Governance (ESG) risks and achieve compliance with sustainable development, responsibilities and commitments and strive for an industry leadership position on sustainability.</p>

In March 2022, the Board approved the appointment of PwC Malaysia as KPJ's Sustainability Consultant, advising on Sustainability and Climate Risk Frameworks. PwC conducted the sustainability workshop with the company's key internal representatives to address and prioritize sustainability issues that are relevant to the Group and its key stakeholders.

The workshop was conducted within the scope of the post-pandemic trends in the healthcare industry and aligned it with the sustainability global goals and benchmarks such as SDG Agenda 2030, UN Global Compact and FTSE4Good as well as our investors' expectation such as EPF Sustainability Investment Policy.

Material sustainability issues were prioritised and divided into four themes that represent value creations to all KPJ stakeholders. Mapping the materiality with the business ability and resources will create opportunity for continuous improvement towards building a sustainable organization.

The resulting KPJ ESG Framework is built upon 18 refined material ESG issues that are grouped according to four themes covering all three environmental, social, and governance aspects each with its corresponding objectives and sustainability targets as the guide for sustainability pursuit in KPJ, described below:

ESG Aspects	Sustainability Themes	2023-2025 Sustainability Strategic Ambitions
Social	Uplifting our Patients and Communities	Improve the lives of community members across Malaysia by 2025.
Social	Fostering our People	Develop a healthy and competent workforce by 2023.
Environment	Protecting our Environment	Reduce our environmental impact by managing KPJ's waste, resources, and climate risks by 2025.
Governance	Upholding Good Governance	Be an ESG-accountable and future- ready organisation by 2025.

The implementation of initiatives withing this Framework falls under the jurisdiction of KPJ's Sustainability Services (SS). Formed in January 2023, SS is a dedicated unit whose primary task is to drive awareness, guide resource allocation & report on environment, social and governance (ESG) initiatives, ultimately contributing to achievement of KPJ's Sustainability goals.

	<p>The Sustainability Services (SS) is also to assist the KGMC and Sustainability Working Committee (SWC) in aligning KPJ's sustainability strategy towards long-term business growth and goals, as well as ensuring that the strategy and plans affirmed are implemented.</p> <p>Prior to the formation of SS, two other initiatives were undertaken to oversee sustainability matters:</p> <ul style="list-style-type: none"> (i) Centre of Innovation; and (ii) Sustainability Working Committee ("SWC"), <p>These were under the purview of the Transformation Management Office ("TMO").</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>KPJ's sustainability strategic ambitions, priorities and targets as well as performance against these targets were developed after a careful materiality assessment exercise and engagements with key internal stakeholders.</p> <p>In view with the formation of the Sustainability Services (SS) in January 2023, a sustainability communication programme targeting internal stakeholders will be a major undertaking in 2023. The aims of this communication programme are:</p> <ul style="list-style-type: none"> • to create awareness about Sustainability among internal and external stakeholders • to promote KPJ's sustainability governance structure and define the roles and responsibilities across all KPJ organisational levels, <p>Communication will be extended to the KPJ's value chain members starting with the suppliers, in order to deliver the Group's sustainability strategic ambitions and expectation as outlined under the supply management topic of the Governance pillar.</p> <p>The comprehensive description of KPJ's stakeholder groups, engagements and targets as well the performance against these targets are as set out in KPJ's standalone Sustainability Report which can be found on the corporate website.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	: Applied
Explanation on application of the practice	<p>As highlighted in the earlier explanation on the application of Practice 4.1 of MCCG, Board's commitment to strengthen its oversight of sustainability issues is through the Board Committee i.e. Risk, Sustainability and Governance Committee ("RSGC").</p> <p>RSGC is responsible to assist the Board in overseeing the strategic initiatives of the Group, to ensure that they support long-term value creation and sustainability goals.</p> <p>It also oversees the business plans and key initiatives with regards to economic, environmental, and social considerations underpinning sustainability.</p> <p>The Board is made up of professionals with a wide range of knowledge and experience, which include their experience in sustainability. In this respect, the Board viewed that sustainability should be embedded within the culture of the boardroom, whereby every single member of the Board should be able to view the organisation and its operations through the lens of sustainability.</p> <p>A "sustainable mindset" of a Director and the understanding that "business is not a commercial activity divorced from wider society" would be vital for the Board, in ensuring its commitment and focus on sustainability and climate-related matters.</p> <p>For the foregoing reason, the Board agreed that there was sufficient capacity in this area, to enable the Board to discharge its role effectively.</p> <p>During the year, the Board considered several initiatives as proposed by the Management, to address sustainability risks and opportunities having regard to various international standards and best practices. Among the initiatives include:</p> <ul style="list-style-type: none">i. As outlined in the KPJ Sustainability Framework on net zero roadmap 2050, to integrate the recommendations for voluntary climate-related financial disclosures, as required under Task Force on Climate-related Financial Disclosures ("TCFD"), into the Group's operations and businesses, to determine the

	<p>climate-related risks and opportunities which are relevant to the business model of KPJ.</p> <p>ii. Renewable energy initiatives with the ESG partners for solar projects at the hospitals in order to achieve the Group’s target of 10% of the energy mix towards the renewable and cleaner resources and provide substantial and measurable results of 25% reduction of GHG emissions per patient by 2025 from 2021 baseline.</p> <p>In 2022, the Head of Transformation Management Office (TMO), updated the Board on material sustainability matters (as a standing agenda item) at its quarterly meetings.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>KPJ Healthcare's Balanced Scorecard (BSC), as approved by the Board, was developed based on the guiding principle to ensure alignment and effective implementation of strategies under the Group's 5 Year Strategic Plan. The key principles of the roadmap include embedding sustainability in the organisation, taking into consideration the challenges of today's rapidly evolving healthcare industry. In relation to this, specific targets have been identified for the BSC, focusing on attaining longevity and sustainability in today's market.</p> <p>The targets of Financial Perspective of BSC were to improve overall financial performance while also increasing long term shareholder value in terms of market capitalisation.</p> <p>Stakeholder Engagement encompasses KPJ's ability to improve our ability to create stakeholder interaction, fully realising our Vision of being the "Preferred Provider of Private Healthcare Services". This is supported by KPJ's enhancements in quality service, which includes the hospitals' clinical services. As part of our transformation process, we have already established a brand-new set of clinical and service quality targets along with a digital dashboard for key personnel to monitor our progress and delivery on these key performance indicators.</p> <p>Internal Process specifies KPJ's plans on operationalizing KPJ's new hospitals and businesses, as well as the hospitals' overall efficiency as private healthcare providers. Our focus is continuously striving for higher productivity, cost savings and developing more effective processes.</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	:		
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Intended Outcome

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

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

<i>Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.</i>	
Application	: Adopted
Explanation on adoption of the practice	: <p>In line with efforts to make Sustainability as the Group's strategic priority, KPJ formalised the setting up of the Sustainability Services (SS) a dedicated unit tasked to track and report on the implementation of groupwide sustainability initiatives, ultimately contributing to the achievement of KPJ's Sustainability goals.</p> <p>The SS, led by the Head of Sustainability, Encik Khairul Annuar Azizi, is empowered to :</p> <ul style="list-style-type: none">• drive awareness• guide resource allocation and• report on environment, social and governance (ESG) initiatives <p>The primary roles and responsibilities of the Sustainability Services (SS) includes the following:</p> <ul style="list-style-type: none">• Secretariat for Sustainability Working Committee (SWC)• Oversee the development and implementation of company's sustainability strategy.• Facilitate and drive corporate sustainability initiatives.• Responsible for the preparation, development and completion of Corporate Governance Reports for Bursa Malaysia, Corporate Governance Overview Statement (CGOS) and• Sustainability Reports for Integrated Annual Reports (IAR)

Intended Outcome

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

Practice 5.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>In relation to that the Company has in place a formal and transparent procedure on the recruitment and appointment (including re-election/reappointment) of Directors. KPJ's Nomination & Remuneration Committee (NRC), has the following prerogatives as stated in the BC as follows:</p> <p>Appointment and Re-election</p> <ul style="list-style-type: none"> • The appointment of a new Director is a matter for consideration and decision by the full Board, upon the recommendation from the NRC. In making these recommendations, the NRC will consider the required mix of skills, experience and diversity, including gender, where appropriate, which the Director brings to the Board. • The Constitution of the Company provides that every newly appointed Director be subjected to re-election at the immediate Annual General Meeting ("AGM"). One third (1/3) of the Board shall retire from office and be eligible for re-election at every AGM, and all the Directors shall submit themselves for re-election at least once every three (3) years. <p>With regards to the appointment of new directors, all nominees to the Board are first considered and evaluated by the NRC, taking into account the mix of skills, competencies, experience and other qualities required to oversee a highly-regulated healthcare business, before they are recommended to the Board.</p> <p>A proposed Independent Director also must satisfy the test of independence of an independent director as defined under Paragraph 1.01 and Practice Note 13 of the MMLR and must have the ability to act in the best interests of the Group, taking into account the candidate's character, integrity and professionalism.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 5.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>KPJ's Board composition is made up of 50% (5 INEDs) and 50% (5 NINEDs).</p> <p>KPJ complied with MMLR requirement of at least 1/3 of Board composition comprise of INED.</p> <p>The present size and composition are made up of professionals with a wide range of knowledge and experience in business, operations and finance, all relevant to the direction of a large, expanding Group. The profiles of all Board Members, comprising of their qualification, experience and calibre are disclosed in Board Profile section of the Integrated Report on pages xxx entitled 'Who Governs Us'.</p> <p>The Independent Non-Executive Directors do not engage in any business dealings or the day-to-day management of the Company. Hence, they are capable of exercising independent judgement and act in the best interests of the Company and its shareholders. All Independent Non- Executive Directors are qualified professionals in their respective fields and carry with them vast industry experience along with subject matter expertise in medical, legal, accounting and business management.</p> <p>All Directors will declare annually as to whether he/she has any family relationship with any Director and/or major shareholder of KPJ, any conflict of interest with KPJ, any conviction for offences within the past five years (other than traffic offences, any sanctions and/or penalties imposed on them by any regulatory bodies during the current financial year.</p> <p>Although all the Directors have equal oversight responsibilities for the Group, the role of these Independent Non-Executive Directors is particularly important in ensuring that all business strategies proposed by the Management are fully and independently deliberated and assessed, takes into account the long term interest of, not only the shareholders, but also employees, customers, suppliers and the many communities in which the Group operates.</p>

	<p>NRC will evaluate the composition of the present Board in the next review.</p>	
	<p>The Independent Non-Executive Directors do not engage in any business dealings or the day-to-day management of the Company. Hence, they are capable of exercising independent judgement and act in the best interests of the Company and its shareholders. All Independent Non- Executive Directors are qualified professionals in their respective fields and carry with them vast industry experience along with subject matter expertise in medical, legal, accounting and business management.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	<p>NRC will evaluate the composition of the present Board in the next review.</p>
<p>Timeframe</p>	<p>:</p>	<p>Within 2 years</p>

Intended Outcome

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

Practice 5.3

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

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

Application	:	Not applicable - Step Up 5.4 adopted	
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 5.4 - Step Up

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

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
Application	: Adopted
Explanation on adoption of the practice	: <p>Since 2017, KPJ has put in place the 9-year Directorship tenure as stipulated by paragraph 4.5 of the BC which states that "The tenure of an independent director does not exceed a cumulative term limit of nine years".</p> <p>Particulars of INED who have served the Board for less than 9 years, including their lengths of services are set out in the Directors' profile in the KPJ Website at: https://kpi.listedcompany.com/directors.html</p> <p>As an integral element of the process of appointing new Directors, the Board ensures that there is an orientation and education programme for new Board Members.</p> <p>The Directors also receive further training from time to time through Continuous Education Programme (CEP). During the year 2022, the Board members attended training sessions/programmes organised by various parties as disclosed under Practice 2.1 of the CG Report.</p>

Intended Outcome

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

Practice 5.5

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

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

Application	:	Applied																																																							
Explanation on application of the practice	:	<p>During the year under review, following a review of the Board composition, the Board had undertaken to appoint an Independent Non-Executive Director (INED), namely Ms. Lee Lai Fan who was appointed on 7 July 2022.</p> <p>Details of the Board members' qualification, expertise and experience can be found at the Board Profile section of this Annual Report on pages 108 - 117.</p> <p>The present Board composition and diversity are as follows :</p> <table border="1"> <thead> <tr> <th>Age profile</th> <th>46-50</th> <th>51-55</th> <th>56-60</th> <th>61-65</th> <th>66-70</th> <th>>70</th> </tr> </thead> <tbody> <tr> <td>No. of Directors</td> <td>1</td> <td>3</td> <td>3</td> <td>1</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Gender profile</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>No. of Directors</td> <td>8</td> <td>2</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Racial composition</th> <th>Malay</th> <th>Chinese</th> <th>Indian</th> </tr> </thead> <tbody> <tr> <td>No. of Directors</td> <td>9</td> <td>1</td> <td>0</td> </tr> </tbody> </table> <p>BOARD SKILL & EXPERIENCE:</p> <table border="1"> <thead> <tr> <th>Skill & Experience</th> <th>No.</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Accounting/Finance/Audit/Banking/Investment</td> <td>5</td> <td>50</td> </tr> <tr> <td>Sustainability</td> <td>1</td> <td>10</td> </tr> <tr> <td>Mathematics/Statistics/Economics</td> <td>4</td> <td>40</td> </tr> <tr> <td>Business Administration/Human Resource/Transformation</td> <td>4</td> <td>40</td> </tr> <tr> <td>Legal/Regulatory/Risk/Corporate Governance</td> <td>4</td> <td>40</td> </tr> <tr> <td>Specialist Medicine</td> <td>1</td> <td>10</td> </tr> <tr> <td>Corporate CEO/Managing Director/Executive Director/Chief Financial Officer</td> <td>8</td> <td>80</td> </tr> <tr> <td>Education/Research and Development/Technology</td> <td>2</td> <td>20</td> </tr> </tbody> </table>	Age profile	46-50	51-55	56-60	61-65	66-70	>70	No. of Directors	1	3	3	1	1	1	Gender profile	Male	Female	No. of Directors	8	2	Racial composition	Malay	Chinese	Indian	No. of Directors	9	1	0	Skill & Experience	No.	%	Accounting/Finance/Audit/Banking/Investment	5	50	Sustainability	1	10	Mathematics/Statistics/Economics	4	40	Business Administration/Human Resource/Transformation	4	40	Legal/Regulatory/Risk/Corporate Governance	4	40	Specialist Medicine	1	10	Corporate CEO/Managing Director/Executive Director/Chief Financial Officer	8	80	Education/Research and Development/Technology	2	20
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	<p>Year 2022 had also seen several changes to KPJ’s senior leadership line up (i.e. C-Suite / Top 5) i.e. the KPJ Group Management Committee (“KGMC”) as well as the Regional Chief Executive Officers (RCEOs) of KPJ Hospitals (which are grouped in regions).</p> <p>The appointment of key senior management was also made based on their skills, expertise, age and gender.</p> <p>The composition and diversity of KGMC as follows:</p> <table border="1" data-bbox="560 551 1404 618"> <tr> <td>Age profile</td> <td>35-40</td> <td>41-45</td> <td>46-50</td> <td>51-55</td> <td>56-60</td> </tr> <tr> <td>No. KGMC</td> <td>1</td> <td>1</td> <td>3</td> <td>3</td> <td>3</td> </tr> </table> <table border="1" data-bbox="560 658 1404 725"> <tr> <td>Gender profile</td> <td>Male</td> <td>Female</td> </tr> <tr> <td>No. KGMC</td> <td>7</td> <td>4</td> </tr> </table> <table border="1" data-bbox="560 770 1404 837"> <tr> <td>Racial Composition</td> <td>Malay</td> <td>Chinese</td> <td>Indian</td> </tr> <tr> <td>No. KGMC</td> <td>10</td> <td>0</td> <td>1</td> </tr> </table> <p>KGMC SKILL & EXPERIENCE:</p> <table border="1" data-bbox="560 913 1404 1070"> <thead> <tr> <th>Skill & Experience</th> <th>No.</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Accounting/ Finance /Audit / Banking</td> <td>6</td> <td>55</td> </tr> <tr> <td>Business Administration / Human Resource</td> <td>-</td> <td>-</td> </tr> <tr> <td>Corporate CEO / Managing Director</td> <td>-</td> <td>-</td> </tr> <tr> <td>Healthcare / Clinical (Operations)</td> <td>1</td> <td>9</td> </tr> </tbody> </table> <p>For year 2022, Heads of Services also attended KGMC meetings by invitation, namely the Heads of Risk Management Services, Compliance Services, Internal Audit Services, Human Resources Services, and Legal & Advisory Services.</p>	Age profile	35-40	41-45	46-50	51-55	56-60	No. KGMC	1	1	3	3	3	Gender profile	Male	Female	No. KGMC	7	4	Racial Composition	Malay	Chinese	Indian	No. KGMC	10	0	1	Skill & Experience	No.	%	Accounting/ Finance /Audit / Banking	6	55	Business Administration / Human Resource	-	-	Corporate CEO / Managing Director	-	-	Healthcare / Clinical (Operations)	1	9
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<p>Measure :</p>																																										
<p>Timeframe :</p>																																										

Intended Outcome

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

Practice 5.6

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a formal and transparent procedure on the recruitment and appointment (including re-election/reappointment) of Directors. Profiles of potential Directors are also obtained from external sources like Institute of Corporate Directors Malaysia (ICDM), of which KPJ is a corporate member.</p> <p>All nominees to the Board are first considered and evaluated by the NRC, taking into account the mix of skills, competencies, experience and other qualities required to oversee a highly-regulated healthcare business, before they are recommended to the Board.</p> <p>A proposed Independent Director also must satisfy the test of independence as defined under Paragraph 1.01 and Practice Note 13 of the MMLR and must have the ability to act in the best interests of the Group, taking into account the candidate's character, integrity and professionalism. The NRC evaluates the nominees' ability to discharge their duties and responsibilities and will conduct a formal engagement with the nominees before recommending their appointment as Directors 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 5.7

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

Application	:	Applied	
Explanation on application of the practice	:	For existing Board members' re-appointments, the profiles of the said Directors would be available in KPJ's latest Integrated Annual Report. Further, any nominations for new Directors to the Board are reviewed by the NRC and presented to the Board for approval. The Company Secretaries will ensure that all appointments are properly made and that statutory requirements are met.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.8

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

Application	:	Applied	
Explanation on application of the practice	:	The NRC is chaired by Dato' Mohd Redza Shah Bin Abdul Wahid who is the Senior Independent Director and the Chairman of Audit Committee of KPJ.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.9

The board comprises at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	There are presently 2 women directors out of 10 Board members (20% from total composition), i.e. <ul style="list-style-type: none">• Puan Annie binti Rosle was appointed in June 2021• Ms. Lee Lai Fan was appointed in July 2022.	
		NRC will address the departure in the next review cycle of directors' appointments and retirements.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NRC will address the departure in the next review cycle of directors' appointments and retirements.	
Timeframe	:	Within 2 years	

Intended Outcome

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

Practice 5.10

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

Application	: Applied
Explanation on application of the practice	<p>The Board is also guided by KPJ's Diversity & Anti-Discrimination Policy, which was introduced on 1 September 2022.</p> <p>This Policy is applied in overall people practices at work for all levels, inclusive of Board and senior management, and includes but is not limited to career opportunities, training and development, recruitment, compensation and benefits, talent identification, retention, performance management, promotions, job assignments, succession planning and engagement activities.</p> <p>Its implementation is to ensure that :</p> <ul style="list-style-type: none">• KPJ has a diverse group of employees with the necessary range of perspectives, experience and expertise• effective implementation of the Policy will facilitate KPJ Group response and manage challenges in a manner that is free of conscious or unconscious bias and discrimination• KPJ meets requirements of any grounds listed as our Protected Characteristics and in line with the Federal Constitution where all persons are treated equally and entitled to equal protection• aligned across the Group's operations for ensuring the successful promotion of all aspects of the Policy and appropriate behaviour in the workplace. <p>Earlier, in 2018, KPJ established the Policy on Diversity and Inclusion and has been published in KPJ's Sustainability Report (Social: Materiality People – Diversity).</p> <p>The Policy highlighted how the organisation recognizes and respect qualities which are unique to individuals e.g. one's gender, language, ethnicity, age, religion, disability and other areas of potential difference.</p> <p>It supports and ensures a diverse work environment in which everyone is treated fairly and with respect, in order to :</p> <ol style="list-style-type: none">i. Attract, retain and motivate employees from the widest possible talent pool

	<ul style="list-style-type: none"> ii. Foster a culture that reflects our values of customer focus, accountability, integrity, respect and open to all iii. Improve innovation, creativity and inspire critical thinking as well as higher performance iv. Strengthen connection between KPJ and the communities we serve 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 6.1

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

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

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
Application	: Applied
Explanation on application of the practice	: Board Committee, the Nomination & Remuneration Committee (NRC) is primarily responsible for ensuring the effectiveness of the Board and Board Committees as well as for implementing an appropriate framework and plan for Board succession. The Board, through the NRC, undertakes a rigorous evaluation, Board Effectiveness Evaluation (“BEE”) each year in order to assess how well the Board, its Committees, the Directors and the Chairman are performing, including assessing the independence of Independent Directors, taking into account the individual Director’s capability to exercise independent judgement at all times. The evaluation covers the Board’s composition, skills mix, experience, communication, roles and responsibilities, effectiveness as well as conduct. All Directors complete a questionnaire regarding the Board and Committees’ processes, their effectiveness and where improvements may be considered. The Company Secretary reports the outcome of the evaluation exercise to the NRC and then to the Board for notation.
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	:		
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Intended Outcome

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

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors of calibre as well as sufficient experience and talent to contribute to the performance of the Group.</p> <p>a) <u>Remuneration for Board of Directors:</u> The Board Remuneration Policy governing the remuneration of directors is reviewed on an annual basis by the Board through the Nomination & Remuneration Committee (NRC) - where it takes into consideration various factors including the Directors' fiduciary duties, risks and time commitments as well as the relevant benchmark study.</p> <p>Details of the Board Remuneration Policy is detailed in the BC, paragraph 7.</p> <p>Directors' Remuneration</p> <ul style="list-style-type: none">• Through the NRC, the Board has established formal and transparent remuneration policies and procedures to attract and retain directors in which the NRC is responsible for making recommendations on the framework, policies and procedures in reviewing and determining the specific remuneration package of the Directors.• The Company's remuneration scheme for a President & Managing Director, Executive Director and key senior management is designed to be commensurate with the performance, seniority, experience and scope of responsibilities of the appointments and is benchmarked to market/industry standards.• For NEDs, the level of remuneration reflects the level of responsibilities undertaken by them.

	<ul style="list-style-type: none"> The Board is of the view that it is just and equitable for the NED to be paid the Directors' Remuneration (excluding Directors' fees) on a monthly/quarterly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period. Details of the estimated Directors' can be found in the Remuneration Policy. <p>KPJ also complies with Section 230(1) of the Companies Act ("CA") 2016 which provides, amongst others, that the directors' fees and other benefits shall be presented to the shareholders for approval at the Annual General Meeting. Further details are in Practice 7.2.</p> <p>b) <u>President & Managing Director:</u> The remuneration package of the President & Managing Director is structured to commensurate with the achievement of corporate targets set by the Board and his individual performance. It is designed to justly reward performance and be able to retain talent for the long term continuity and sustainability of the Group's business.</p> <p>c) <u>Senior Management:</u> KPJ's Senior Management i.e. C-Suite are on fixed-term contracts and whose performance is evaluated and presented to the NRC.</p> <p>The Company is committed to providing competitive total compensation opportunities to attract, retain, motivate and reward our employees. The performances are measured based on the relative performance of the Company and individual employees' achievement to meet business needs and objectives.</p> <p>Every employee is entitled for benefits as such medical, travelling allowance (domestic and overseas), mileage claim and Employees Provident Fund (EPF) contribution of 13% with year of service 0-3 years and 15% for employees with years of service more than 4 years, for group of employees below 60 years old.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 7.2

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

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

Application :	Applied
Explanation on application of the practice :	<p>The Board has established the Nomination & Remuneration Committee (NRC) - with formal and transparent processes for evaluating and approving the remuneration of the Board members and key senior management of the Group. The composition of the NRC complies with the requirements of Paragraph 15.08A of the MMLR.</p> <p>The TOR of NRC is made available to the public on the Group website at http://kpj.listedcompany.com/nomination_committee.html</p> <p>The Board believes that the current and previous composition of NRC is capable of acting collectively in the best interests of all shareholders in respect of the nomination & remuneration of Board members and key senior management.</p> <p>As required by Section 230(1) of the Companies Act ("CA") 2016 that stipulates - among others - the directors' fees and other benefits shall be presented to the shareholders for approval at the General Meeting:-</p> <p>Ordinary Resolutions 5 and 6: Directors' Fees and Benefits payable to the NEDs</p> <p>Pursuant to Section 230(1) of the Act, the fees and benefits payable to the Directors of a listed company and its subsidiaries shall have to be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 30th AGM of the Company for the payment of Directors' Fees and benefits for the NEDs from the conclusion of the 30th AGM until the conclusion of the next AGM of the Company ("Relevant Period").</p> <p>The Company had, at its 29th AGM, obtained approval from the shareholders in respect of the payment of Directors' fees and benefits to the NEDs for the period from 29 June 2022 until the 30th AGM.</p>

In determining the estimated total amount of Directors' fees and benefits payable for the NEDs, the Board has considered various factors including among others, the number of scheduled and special meetings for the Board, Board Committees and boards of subsidiaries, based on the current number of NEDs. The amount also includes a contingency sum to cater for unforeseen circumstances such as additional unscheduled Board and Board Committees' meetings or such other meetings as deemed necessary by the Board and/or for the formation of additional Board Committees.

Details of the estimated Directors' Fees and benefits for the NEDs for the Relevant Period are as below. There are no changes to the rates as compared with those of the previous years.

(I) Ordinary Resolution 5: Directors' Fees for the NEDs for the Relevant Period

Directors' Fees	Chairman of the Board (RM per annum)	Member of the Board (RM per annum)
Board of KPJ Healthcare Berhad	220,000	120,000
Board of Subsidiary (who are Directors of KPJ Healthcare Berhad)	Up to 25,000	Up to 15,000

NOTE:

- (i) *The payment of the Directors' Fees for nominee Directors representing and are employees of Johor Corporation will be paid to Johor Corporation as Corporate Fees.*
- (ii) *The Managing Director/Executive Director(s) does not receive any Directors' Fees.*

(II) Ordinary Resolution 6: Benefits for the NEDs for the Relevant Period

Committee Fees

Board Committee/Clinical Committee	Chairman of Committee (RM p.a.)	Member of Committee (RM p.a.)
Audit Committee	35,000	25,000
Risk, Sustainability & Governance Committee	20,000	15,000
Nomination & Remuneration Committee	20,000	15,000
Investment Committee	20,000	15,000
Tender Committee	20,000	15,000
Group Medical Advisory & Clinical Governance Committee (who are Directors of KPJ Healthcare Berhad)	20,000	15,000

NOTE:

The payment of Committee Fees will be paid to all Directors in the Board Committees except for the Managing Director/Executive Director(s) of the Company.

	Meeting Allowances	Chairman of the Board and Committee (RM per meeting)	Member of the Board and Committee (RM per meeting)						
	Board of KPJ Healthcare Berhad	4,000	3,000						
	Audit Committee	4,000	3,000						
	Risk, Sustainability & Governance Committee	3,000	2,000						
	Nomination & Remuneration Committee	3,000	2,000						
	Investment Committee	3,000	2,000						
	Tender Committee	3,000	2,000						
	Group Medical Advisory & Clinical Governance Committee (who are Directors of KPJ Healthcare Berhad)	4,000	3,000						
	<p>NOTE: <i>The payment of Meeting Allowances will be paid to all Directors in the Board and Board Committees except for the Managing Director/Executive Director(s) of the Company.</i></p>								
	<p>Other Benefits</p> <table border="1"> <thead> <tr> <th data-bbox="496 1043 683 1149">Other Benefits</th> <th data-bbox="687 1043 1082 1149">Chairman of the Board</th> <th data-bbox="1086 1043 1485 1149">Member of the Board</th> </tr> </thead> <tbody> <tr> <td data-bbox="496 1155 683 1368">NED</td> <td data-bbox="687 1155 1082 1368">Medical benefits (inclusive of dental and eye treatment) from KPJ Hospitals only, company car and driver, technology devices and other claimable benefits</td> <td data-bbox="1086 1155 1485 1368">Medical benefits (inclusive of dental and eye treatment) from KPJ Hospitals only, technology devices and other claimable benefits</td> </tr> </tbody> </table>			Other Benefits	Chairman of the Board	Member of the Board	NED	Medical benefits (inclusive of dental and eye treatment) from KPJ Hospitals only, company car and driver, technology devices and other claimable benefits	Medical benefits (inclusive of dental and eye treatment) from KPJ Hospitals only, technology devices and other claimable benefits
Other Benefits	Chairman of the Board	Member of the Board							
NED	Medical benefits (inclusive of dental and eye treatment) from KPJ Hospitals only, company car and driver, technology devices and other claimable benefits	Medical benefits (inclusive of dental and eye treatment) from KPJ Hospitals only, technology devices and other claimable benefits							
	<p>The proposed Ordinary Resolutions 5 and 6, if passed, will allow the payment of the Directors' Fees and benefits to the NEDs on a monthly/quarterly basis and/or when incurred within the Relevant Period. The Board is of the view that it is just and equitable for the NEDs to be paid the Directors' fees and benefits on a monthly/quarterly basis and/or as and when they are incurred, particularly after the Directors have discharged their responsibilities and rendered their services to the Company and its subsidiaries. Any NEDs who are shareholders of the Company will abstain from voting on the aforesaid resolutions at the 30th AGM.</p>								
<p>Explanation : for departure</p>									
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>									

Measure :		
Timeframe :		

Intended Outcome

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The details of the disclosure on named basis of all individual directors – broken down by fees, salary, bonus, benefits in-kind and other emoluments are contained in the Integrated Annual Report – which are available in the physical version as well as upload on the website at https://kpj.listedcompany.com/misc/ar2020/KPJ_IR.pdf</p> <p>**Included are the Director' Fees and Committee Fees paid to EPF as per EPF's instruction. *Included are the Directors Fees and Committee Fees paid to Johor Corporation as Corporate Fees.</p> <p>(a) <i>Appointed as the Chairman on 01.04.2022</i> (b) <i>Re-designated as Senior Independent Non-Executive Director on 01.04.2022</i> (c) <i>Appointed as a BOD member (INED) on 07.07.2022</i> (d) <i>Resigned as Chairman on 31 March 2022</i> (e) <i>Demised in 10 March 2022</i> (f) <i>Retired as INED on 28 June 2022</i> (g) <i>Appointed as President & Managing Director (PMD) on 1 April 2022, resigned as PMD on 7 September 2022</i> (h) <i>Resigned as PMD on 31 March 2022</i></p>

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Datuk Md Ariff Mahmood (a)	Non-Executive Non-Independent Director	165	28	-	-	23	-	216	165	28	-	-	23	-	216
2	Dato' Mohd Redza Shah Abdul Wahid (b)	Senior Independent Director	120	193	-	-	-	-	313	120	193	-	-	-	-	313
3	Mohamed Ridza Mohamed Abdulla	Independent Director	120	160	-	-	-	-	280	120	160	-	-	-	-	280
4	Khairuddin Jaflus	Independent Director	120	180	-	-	-	-	300	120	180	-	-	-	-	300
5	Hisham Zainal Mokhtar	Independent Director	120	194	-	-	-	-	314	120	194	-	-	-	-	314
6	Lee Lai Fan (c)	Independent Director	58	39	-	-	-	-	97	58	39	-	-	-	-	97
7	Shamsul Anuar Abdul Majid	Non-Executive Non-Independent Director	120*	164	-	-	-	-	284	120*	164	-	-	-	-	284
8	Rozaini Mohd Sani	Non-Executive Non-Independent Director	120*	117	-	-	-	-	237	120*	117	-	-	-	-	237
9	Prof Dato' Dr Azizi Hj Omar	Non-Executive Non-Independent Director	120	172	-	-	-	-	292	120	172	-	-	-	-	292
10	Annie Rosle	Non-Executive Non-Independent Director	120**	77	-	-	-	-	197	120**	77	-	-	-	-	197

11	Tan Sri Dr Ali Hamsa (d)	Non-Executive Non-Independent Director	55	-	-	-	-	-	55	55	-	-	-	-	-	55
12	Dato' Yusli Mohamed Yusoff (e)	Senior Independent Director	23	13	-	-	6	-	42	23	13	-	-	6	-	42
13	Lydia Anne Abraham (f)	Independent Director	60	61	-	-	-	-	121	60	61	-	-	-	-	121
14	Dato' Mohd Shukrie Mohd Salleh (g)	Executive Director	-	252	618	-	32	780	1,681	-	252	618	-	32	780	1,681
15	Ahmad Shahizam Mohd Shariff (h)	Executive Director	-	186	642	-	12	426	1,266	-	186	642	-	12	426	1,266

Intended Outcome

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

Practice 8.2

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

Application	: Applied – the company discloses the remuneration of members senior management who are not members of the board
Explanation on application of the practice	<p>As per the Integrated Annual Report, KPJ's top five senior management's remuneration components are made available in the Integrated Annual Report – which is available in the physical version as well as upload on the website. To note that there had been changes in the Senior Management Team (SMT) lineup during the year 2022 as well as during the first quarter of 2023, i.e. as follows :</p> <p>a) Resignations : 6</p> <ul style="list-style-type: none"> ➤ President & Managing Director Resigned 7/9/2022 ➤ Chief Corporate Officer (CCO) : Resigned 28/2/2023 ➤ Chief Technology Officer (CTO) Resigned 1/3/2022 ➤ Chief Commercial Officer (CComO) Resigned 5/4/2022 ➤ Chief Operating Officer (COO) : Resigned 9/7/2022 ➤ Chief HR Officer (CHRO) Resigned 20/8/2022 <p>b) Brand New Appointments : 2</p> <ul style="list-style-type: none"> ➤ Chief Digital Officer (CDO) Appointment 1/7/2022 ➤ Chief Commercial Officer (CComO) Appointment 15/8/2022 <p>c) Appointment from existing Regional CEO (RCEO) : 1</p> <ul style="list-style-type: none"> ➤ Covering Chief Operating Officer Appointment 9/7/2022 <p>d) Appointment from existing Heads of Services (HOS) : 1</p> <ul style="list-style-type: none"> ➤ Covering Chief Human Resource Officer Appointment 1/10/2022

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 :		

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Norhaizam Mohammad	Chief Financial Officer	450,001-500,000	100,001-150,000	0-50,000	50,001-100,000	Choose an item.	700,001-750,000
2	Ariesza Noor	Chief Corporate Officer	450,001-500,000	100,001-150,000	0-50,000	50,001-100,000	Choose an item.	700,001-750,000
3	Nantha Kumar Subramaniam	Chief Digital Officer	350,001-400,000	0-50,000	Choose an item.	50,001-100,000	Choose an item.	450,001-500,000
4	Dr. Nik Fawaz Nik Abdul Aziz	Chief Commercial Officer	200,001-250,000	0-50,000	Choose an item.	0-50,000	Choose an item.	300,001-350,000
5	Dato' Mohd Farid Salim	Covering Chief Operating Officer	150,001-200,000	0-50,000	0-50,000	0-50,000	Choose an item.	300,001-350,000

Intended Outcome

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

Practice 8.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the KPJ Board is not the Chairman of KPJ's Audit Committee. The current Chairman of the Audit Committee is Dato' Mohd Redza Shah bin Abdul Wahid. Formerly a member of the Audit Committee, Dato' Redza was appointed as the Chairman of the AC on 23 June 2021. Dato' Redza has a long career in accountancy and economics, in addition to hands-on experience in corporate directorship and strategic business management.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Terms of Reference (TOR) of the AC include that former key audit partner and any other professionals with previous dealing with the Company are to observe a cooling-off period of at least three years before being appointed as a member of the AC.</p> <p>Historically, none of the present or past members of the Audit Committee were former key audit partners of any external audit firms.</p> <p>The Company will ensure that the cooling-off period of 3 years is observed if and when we are seriously considering such a person for appointment to the AC.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee annually assess the independence and objectivity of the external auditors during the year and prior to any appointment of the external auditors for ad hoc non-audit services. The Committee also received from the external auditors their policies and written confirmation regarding their independence and the measures used to control the quality of their work.</p> <p>The AC was satisfied with the independence of the present external auditor Ernst & Young (“EY”) based on the quality of audit, performance, competency and sufficiency of the resources that EY provided to the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The AC currently comprises 3 Independent Non-Executive Directors (INED) and 1 Non-Independent Non-Executive Director, who collectively are all sufficiently experienced, having served in related capacities in prior employment. Details of the AC Chairman and Committee members are available on the KPJ Website and Integrated Report.</p> <p>The annual review of the composition and performance of the AC, including members' tenure, performance and effectiveness as well as their accountability and responsibilities, was duly assessed via the Board Effectiveness Evaluation ("BEE").</p> <p>Collectively, AC members are qualified individuals having the essential skills and expertise to discharge the AC's functions and duties. AC's financial literacy and ability to understand the financial reporting process have contributed to the AC's discussion in upholding the integrity of the Company's financial reporting process and financial statements.</p> <p>The annual review of the composition and performance of the AC, including members' tenure, performance and effectiveness as well as their accountability and responsibilities, was duly assessed via the Board Effectiveness Evaluation. The full details of the AC activities in 2022 are elaborated in the Audit Committee Report's section in the KPJ's Integrated Report, on pages 145 - 148.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>KPJ's Board affirms its overall responsibility for establishing the Group's system of internal controls and risk management framework as well as reviewing its adequacy and effectiveness. The Board has in place a sound governance structure, risk management framework and internal control system pursuant to Principle B (II) of the MCCG to ensure effective oversight of controls and risks in the Group.</p> <p>In March 2019, the Group issued the 2019 KPJ Risk Management Guidelines to all its hospitals, which was formulated based on the ISO 31000:2018 Risk Management. The new Guidelines superseded the old guidelines which were based on the Australian/New Zealand Standard 4360:1999 Risk Management and HB228:2001 Guidelines for Managing Risks in Healthcare.</p> <p>The Group has put in place an Enterprise-Wide Risk Management ("ERM") framework for managing risks associated with its business and operations. The ERM framework features a risk governance structure that comprises 3 levels of defence with clear lines of responsibilities and accountabilities. KPMG was appointed to conduct external assurance as part of the effort to enhance the roles and functions of Risk Management. All the key recommendations from KPMG have been duly implemented.</p> <p>KPJ's Anti-Bribery Management System ("ABMS") provides a strong foundation for the Board and management to oversee corporate liability risks (as well as to meet the requirements of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 [Amendment 2018]). This system further underpinned KPJ corporate integrity framework through enforcement of Gift, Entertainment and Corporate Hospitality Policy, Asset Declaration Policy, Whistle Blowing Policy and Integrity Pact that are designed to uphold ethical and responsible behaviour by management and employees and to avoid conflicts of interest in ongoing or potential business dealings between the Groups, suppliers and services.</p>

	The risk management and internal controls frameworks are disclosed in the Statement on Risk Management and Internal Control Report on pages 149 to 156 of the Report and the Audit Committee Report on pages 145 to 148.	
Explanation for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure		
Timeframe		

Intended Outcome

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

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

Practice 10.2

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>As outlined in KPJ's Statement on Risk Management and Internal Control (SORMIC) on pages 149 to 156 of the Annual Report, there have been several measures undertaken to strengthen risk management and internal control in KPJ have been:</p> <p>a) The formation of several Committees whose main tasks are to identify, evaluate, monitor and manage the significant risks affecting the Group operations, as listed below :</p> <ul style="list-style-type: none">• Risk, Sustainability & Governance Committee (RSGC). RSGC is a Board Committee chaired by an Independent Non-Executive Director of the Board. RSGC is entrusted to evaluate and review the assessment of risk identification, the effectiveness of Enterprise Risk Management, process of assessing and managing Group's Principle risks. The committee also reviews and evaluates the Group level risk exposures and management of significant clinical and non-clinical risks identified.• Group Medical Advisory & Clinical Governance Committee (GMACGC). The Committee is chaired by a Senior Medical Professional, who is also a member of KPJ's Board. The GMACGC is the apex clinical committee that is responsible for the Group's clinical governance framework and guidelines for sound and ethical medical practices. <p>There are various sub-committees under the GMACGC; namely Group Medical Director Council (GMDC), Transformation and Quality Innovation Committee (TQIC), Professional Development Committee (PDC), Education & Research Committee (ERC) and the Clinical & Research Ethic Committee (CREC).</p> <p>MAC reviews the Group's clinical governance that includes policies, guidelines, standard operating procedures and clinical compliance framework for the approval of the Board to inculcate a safe, healing, ethical environment and promulgate good clinical</p>

governance practices that are consistent with the Board's business direction and risk tolerance.

- **Tender Committee (TC).**

TC is a Board Committee chaired by an Independent Non-Executive Director of the Board. The TC oversees the timeline and costing of each project undertaken by the Group and to address any issues relating to these projects. TC evaluates, deliberates and approves all major procurement contracts within its authority limits set by the Board. TC also evaluates the recommendations made by the Management on selected contractors for the Board's approval.

The Terms of Reference (TOR) for the committees are available at https://kpj.listedcompany.com/corporate_governance.html

- b) Enterprise Risk Management (ERM):** The Group has put in place an Enterprise-Wide Risk Management framework for managing risks associated with its business and operations.

The ERM framework features a risk governance structure that comprises 3 levels of defense with clear lines of responsibilities and accountabilities. Group risk is structured to provide adequate support to business units and subsidiaries in relation to risk management practices and implementation as well as to guide the priorities and direction of group risk management activities.

- c) KPJ's Risk Management Guidelines:** based on ISO 31000:2018 Risk Management, and have been in place since 2019 at all hospitals. The Risk Management Guideline provides a structured and consistent approach to risk management across the Group, and are aligned with industry best practices.

- d) KPJ Business Continuity Management (BCM) Framework:** launched in April 2021, it facilitates a structured and scalable approach to design and execute Business Continuity Plan (BCP) as well as provides a one-stop reference to BCM concepts, expectations and deliverables to be adopted across the Group. The main objectives are to minimize disruptions and safeguard business assets. The Framework was formulated based on ISO 22301 – Business Continuity Management.

- e) Governance, Risk Management and Compliance (GRC) software :** As part of its strategy in improving data quality management and streamline the risk governance, practices and reporting across the companies and subsidiaries, since 2021, KPJ has started to embark on a Governance, Risk Management and Compliance (GRC) software for a systematic and structured monitoring and reporting of risks within KPJ.

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

Intended Outcome

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

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

Practice 10.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>KPJ's Risk, Sustainability and Governance Committee (RSGC) is established as a committee of the Board.</p> <p>RSGC supports the Board by overseeing the Risk Management, Sustainability & Governance framework of KPJ and its group of Companies (Group), regularly assessing the framework to ascertain its adequacy and effectiveness.</p> <p>The Committee members are appointed by the Board amongst their members and consist of not less than 4 members, with a majority of independent directors.</p>

Intended Outcome

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

Practice 11.1

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 Company has established the Internal Audit Services (IAS) that carries out KPJ's internal audit function.</p> <p>IAS, as the third line of defence, reviews the effectiveness of the internal control structures over the Group activities focusing on high risk areas as determined using a risk-based approach. All high risk activities in each auditable area are audited annually in accordance with the approved Audit Plan. This is to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Group.</p> <p>IAS reports functionally to the AC and administratively to the President & Managing Director. IAS is independent of the activities or operations of other operating units.</p> <p>IAS' authority, scope and responsibilities are governed by its revised Audit Charter which was approved by the AC on 22 November 2022 and are aligned with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA).</p> <p>All IAS personnel signed an Independence Statement as well as a declaration on compliance to the Code of Ethics of the IIA in carrying out their duties. The IAS shall maintain a quality assurance and improvement programme to evaluate the conformance of internal audit activities to the International Standards for Professional Practice of Internal Auditing (Standards) issued by IIA. This includes IAS function's self-assessment and assessment by a qualified independent assessor once in five years.</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	:		
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Intended Outcome

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

Practice 11.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The in-house Internal Audit Services (IAS) carries out KPJ's internal audit function in assisting the Board to oversee that Management has in place sound risk management, internal control and governance systems.</p> <p>All IAS personnel signed an Independence Statement as well as a declaration on compliance to the Code of Ethics of the IIA in carrying out their duties. The IAS is headed by the Head of IAS. As at 31 December 2022, there are a total of 18 internal auditors who performed the audit across KPJ Group and the auditors are segregated into two teams of Financial and Operational auditors and IT auditors.</p> <p>The adequacy of internal audit resources will also be evaluated during the preparation of the Audit Plan and presented for approval in the Audit Committee. Any additional resources are to be approved by the Audit Committee. For year 2022, one additional staff i.e. a Deputy Manager for IT Audit had been approved by the Audit Committee in view of challenging task and to assist in the implementation of the IT Audit Plan.</p> <p>The name and qualification of the Head of IAS were mentioned in the Integrated Annual Report 2021 under the Audit Committee Report section from page 151 to 154.</p> <p>Various physical and virtual in-house training programmes and external courses were provided to staff members in the areas of auditing skills, technical skills, leadership, data analytic, business acumen, strategic management and personal development to enhance the desired competency level.</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 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>KPJ as a corporate entity emphasizes on transparency, fairness, timeliness & accuracy of information, constant interaction, respect and a commitment to mutual support, in line with good corporate governance practice. It is imperative to maintain transparency as it sustains trust and understanding in the relationship.</p> <p>Therefore as part of the Group's commitment to promote a high level of communication and transparency with the investment community, several measures are practiced :</p> <p>a) The senior management participate in Analyst Briefing sessions from time to time, especially every quarter following announcements of the Group's results and performance. Presentations are made, where appropriate, to explain the Group's strategies, performance and major developments. However, any information that may be regarded as privileged material information about the Group will be safeguarded until such time that such information has been announced to Bursa Malaysia Securities Berhad as required by the MMLR.</p> <p>The Senior Management personnel involved in Investor Relations activities during the period under review were:</p> <ul style="list-style-type: none">• Dato' Mohd Shukrie Bin Mohd Salleh – President & Managing Director (until 7 September 2022)• Norhaizam Binti Mohammad – Chief Financial Officer• Ariesza Noor – Chief Corporate Officer (until 31 December 2022) <p>b) Shareholders & corporate investors engage directly with our Board & senior management through Annual General Meeting ("AGMs"). During the meeting, the PMD reports on KPJ's performance for the year under review. The shareholders were given an ample time to raise their questions and concern to the Chairman, President and Managing Director and other Directors.</p>

	<p>c) In addition, the Group has established a website at http://www.kpjhealth.com.my which shareholders and stakeholders can access, where the Group's quarterly and annual results announcements and mandatory announcements pursuant to MMLR, on the IR webpage in the Group's website immediately after announcements are made on the Bursa Malaysia's website.</p> <p>d) This website also sends out alerts to investors who opted to get this service for free on any announcement by the Company to Bursa. The shareholders and stakeholders are encouraged to channel their concern to the Investor Relations Services which contact number and email address at http://kpj.listedcompany.com/contact.html.</p> <p>e) To facilitate the stakeholders' understanding of the Company with regards to its policies and governance, the Company has placed information of Board of Directors and Executive Committees Members as well as other corporate information under section "Corporate Profile" and documents pertaining to Corporate Governance, Board Charters and Terms of Reference can be found under Section Corporate Governance, for easy reference.</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 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Company has been publishing its Integrated Annual Report from FY 2018 by adopting International Integrated Reporting Council's ("IIRC") framework.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 13.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has adopted the 28 days prior notice to shareholders, compared to 21 days requirement under the Companies Act 2016. The notice of KPJ's 29th Annual General Meeting ("AGM") was announced on 28 April 2022, whereas the date of the meeting was 28 June 2022.</p> <p>Therefore, 40 days (excluding weekends and Malaysian public holidays) were effectively given to the shareholders.</p> <p>The notice was circulated to shareholders through :</p> <p>a) Notice in newspaper b) The Annual Report 2021 uploaded on the KPJ and Bursa websites</p> <p>Shareholder Notification Cards were distributed via post/email to shareholders.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 13.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>10 of the 11 KPJ Directors were present at KPJ's 29th Annual General Meeting ("AGM") held on 28 June 2022.</p> <p>The only director who was not present was Ms. Lydia Anne Abraham, KPJ's Independent and Non-Executive Director, who retired from KPJ on the same date, i.e. 28 June 2022.</p> <p>This included the Chairpersons of the Board Committees, namely :</p> <ul style="list-style-type: none">• Dato' Mohd Redza Shah bin Abdul Wahid Chairman of Audit Committee & Nomination & Remuneration Committee• Encik Mohamed Ridza Bin Mohamed Abdulla Chairman of Risk, Sustainability & Governance Committee• Encik Khairuddin Jaflus Chairman of Tender Committee• Encik Hisham bin Zainal Mokhtar Chairman of Investment Committee <p>The President & Managing Director (PMD) presented to the shareholders the Group's 2021 Performance report, outlining key financial performance, corporate initiatives and achievements, as well as the challenges and opportunities faced throughout the 2021 Financial Year. The questions put forth by the Minority Shareholders Watchdog Group ("MSWG") were also presented to the shareholders present during the AGM, together with the Management's response to the questions raised.</p> <p>Shareholders were also given the opportunity to pose questions to the Board and Management during the AGM. In accordance with paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia, all resolutions in the AGM Notice were put to vote by poll, using the Remote Participation and Voting ("RPV") facility provided by Tricor Investor & Issuing House Sdn Bhd ("Tricor"). The online voting is open from the onset, and shareholders may vote to any time up to close of the voting. For the benefit of shareholders who did not attend the AGM, the PMD's deck on KPJ performance slides and the results of the voting on all the resolutions tables at the AGM were posted on the Company's website.</p>

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

Intended Outcome

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

Practice 13.3

Listed companies should leverage technology to facilitate–

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

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

Application	: Applied
Explanation on application of the practice	<p>KPJ continued leveraging on technology to carry out its Annual General Meetings (AGMs) i.e. in years 2020, 2021 and 2022.</p> <p>Throughout this process, KPJ appointed Tricor Investor & Issuing House Sdn Bhd (“Tricor”) i.e. the largest corporate secretarial services provider in Asia located in Kuala Lumpur.</p> <p>For year 2022, KPJ’s Annual General Meeting (AGM) was completely virtual. The venue for the meeting was Tricor’s Online Meeting Platform via the TIIH Online website at https://tiih.online. Resolutions were uploaded on Bursa Malaysia’s website at: https://www.bursamalaysia.com/market_information/announcements/</p> <p>Shareholders participated via :</p> <p>a) Remote shareholders’ participation</p> <p>Shareholders exercised their right to attend, participate and vote at the meeting remotely by using the Remote Participation and Voting (“RPV”) facilities at https://tiih.online .</p> <p>For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company requested Bursa Malaysia Depository Sdn Bhd. to make available to the Company, the Record of Depositors as at 21 June 2022.</p> <p>Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM.</p> <p>Detailed procedures were provided to shareholders in the Administrative Guide. A short video by Tricor was played to demonstrate to the members, corporate representatives and proxies who were present at the 29th AGM on the process for online voting via TIIH Online.</p>

	<p>b) Voting in absentia</p> <p>Shareholders logged on with their usernames and passwords at Tricor's TIIH Online website and participated remotely via live streaming at the 29th AGM.</p> <p>The results of the poll were duly validated by Asia Securities Sdn Bhd, the Independent Scrutineer appointed by KPJ.</p> <p>The poll results were also announced at Bursa Malaysia's website on the same day for the benefit of all shareholders. The 29th AGM Minutes were also made available on KPJ's website.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

Practice 13.4

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

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
Application	: Applied
Explanation on application of the practice	: <p>Datuk Md Arif Bin Mahmood presided as Chairman of the AGM ("Datuk Chairman") of the 29th Annual General Meeting ("AGM" or "Meeting") of KPJ on Tuesday, 28 June 2022.</p> <p>At the start of the meeting, Datuk Chairman welcomed all shareholders, corporate representatives and proxies to the meeting.</p> <p>Meaningful Engagement between the board, senior management and shareholders, including opportunities for a robust discussion :</p> <p>Datuk Chairman played a key role throughout the AGM i.e.:</p> <ul style="list-style-type: none">• Informing participants that the meeting would be carried out virtually - using the remote participation and voting ("RPV") facilities of TIIH Online website at https://tiih.online or https://tiih.com.my.• Ten (10) Directors (sans Ms. Lydia Anne Abraham, an INED who had retired on 28 June 2022) as well as members of KPJ's senior management team as mentioned under Practice 13.2 of the MCCG were present at the 29th AGM to provide responses to questions from shareholders via the TIIH online website at https://tiih.online in relation to the agenda items, both prior and during the said AGM.• The AGM fulfilled all stipulated requirements, including:<ul style="list-style-type: none">i. Tabling of the summary report on proxy forms received: At Datuk Chairman's request, Company Secretary (CoSec) reported that 156 valid proxy forms were received, i.e. 74.92% of the total number of issued shares of KPJ. Noted that holders of 510,540,233 ordinary shares, (i.e. 11.75% of the total number of the Company's issued shares) appointed Datuk Chairman to be their proxy.

ii. **Shareholders were able to obtain information relevant to making informed decisions, via :**

- **Presentation of macro view on KPJ's healthcare business :** Datuk Chairman updated on KPJ's key role amidst the pandemic by assisting the company to increase the vaccination rate, in support of the National Immunisation Programme ("NIP"). Also explained on KPJ's transformation programme, themed "Re-Energising KPJ", the Group's post-pandemic recovery as well as marketing efforts.
- **Q&A with Minority Shareholders Watch Group's Question & Answer by the PMD:** PMD responded to the questions posed by the MSWG prior to the AGM.
- **Laying out audited financial statements to shareholders under Agenda 1 :** Datuk Chairman explained that the audited financial statements of the Company FYE 31 December 2021 were circulated to shareholders on 29 April 2022 as per Section 340(1)(a) of the Companies Act 2016.
- **Presentation by President & Managing Director ("PMD"):** PMD shared the strategic thrusts of KPJ's Transformation Programme :
 - **Strengthening the Core** – Ensuring operational excellence and revisiting portfolio management especially on overseas assets
 - **Relentless Growth** – Maintaining a robust business model as well as tapping into new growth areas
 - **Digital Transformation** – Personalising healthcare through adoption of new technologies

Post meeting, the minutes and the PMD's presentation were uploaded onto KPJ's website at <https://kpj.listedcompany.com/agm.html>

iii. **Shareholders were able to pose questions, including through:**

- Chairman answered the questions received from shareholders (submitted online both pre-and-during AGM)
- **Independent Moderator for Q&A session :** KPMG Management & Risk Consulting Sdn Bhd, which had been appointed as the moderator, objectively streamed said questions. To ensure effective communications with shareholders at this fully virtual AGM, the shareholders' questions were displayed onscreen for the shareholders' reference.

	<ul style="list-style-type: none"> • KPJ received 21 questions from shareholders and were answered by the Chairman and President & Managing Director. • Questions which were unanswered from the AGM were subsequently answered and published on the Company’s website within 30 days of the AGM’s conclusion. <p>iv. Transparent Polling :</p> <ul style="list-style-type: none"> • A video recording of the remote poll voting procedures : shown online for benefit of shareholders • Polling process : Datuk Chairman said all the proposed resolutions to be tabled at the 29th AGM were to be voted by poll in accordance with paragraph 8.29A(1) of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“MMLR”), using the Remote Participation and Voting (“RPV”) facility provided by Tricor Investor & Issuing House Sdn Bhd (“Tricor”). • Verification of the Polling Results : Datuk Chairman further announced the verification of the poll; and declared that all resolutions tabled at the AGM as carried except for Proposed Ordinary Resolution 5 which had been withdrawn. • Independent Scrutineer : an independent scrutineer, namely Asia Securities Sdn Bhd (“Asia Securities”) verified the votes cast as well as the poll results.
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

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

Practice 13.5

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

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
Application	: Applied
Explanation on application of the practice	: KPJ continued to appoint Tricor Investor & Issuing House Sdn Bhd ("Tricor") i.e. the largest corporate secretarial services provider in Asia, to conduct its virtual AGM in 2022. Tricor has been supporting KPJ in terms of virtual AGMs since 2020. a) KPJ's Chairman and President & Managing Director were able to manage the Q&A session smoothly and efficiently. Each question had been displayed on the screen as and when the Chairman, President & Managing Director and/or other respondents provided their responses to the respective questions accordingly in an orderly manner. b) Shareholders, corporate representatives and proxies were able to participate virtually, i.e. ask questions and vote on the resolutions set out in the Notice of Meeting dated 29 April 2022. Shareholders participated virtually using the remote participation and voting ("RPV") facilities of TIIH Online website at https://tiih.online or https://tiih.com.my . This met with the requirement that the online voting process must be able to allow members to cast their votes in time during the proceedings of the general meeting as stipulated in SC's Guideline. c) The poll results were verified by the scrutineers, Asia Securities Sdn Bhd.
Explanation for departure	:

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 13.6

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

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>	
Application	: Applied
Explanation on application of the practice	: The Minutes of Meeting of the 29 th AGM was uploaded onto KPJ's website on 27 July 2022, i.e. 21 business days after the meeting.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

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

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

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