

Corporate Governance Report

STOCK CODE	:	5135
COMPANY NAME	:	SARAWAK PLANTATION BERHAD
FINANCIAL YEAR	:	31 DECEMBER 2017

OUTLINE :

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A - DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	Applied
Explanation on application of the practice	<p>The Board sets the vision and the strategies of the Company, placing great emphasis on enhancing shareholders' value and investors' confidence whilst maintaining a high standard of integrity. The Board also sets the framework for which the Company shall operate, in particular, the areas of corporate governance, internal controls, risk management, succession planning, business and investment strategies. The Board puts together its diverse expertise and experience to render advice and coaching to the Company. Its diverse expertise and experience also help to effectively monitor implementation of the visions and strategies which have been set.</p> <p>Key areas reserved for the Board's approval include the annual budget, dividend declaration, expenditure beyond a certain limit, acquisitions/disposals of properties/materials of substantial value, appointment of consultants for specific assignments and changes to the Management and control structure within the Company.</p> <p>In year 2017, the Board conducted quarterly reviews of its budget by comparing against the actual performance. The Board actively engaged with the Management to discuss strategic initiatives to achieve key targets set out in 2017 and the future years. Where necessary, alternative steps were taken to ensure achievement of targets.</p> <p>The full details of the roles and responsibilities of the Board of Directors are captured in the Board Charter which is published on the Company's website.</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

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 Company is helmed by the visionary Executive Chairman, Datuk Amar Abdul Hamed bin Sepawi. He began the transformation of work culture since the end of 2017. All the managers of the operations and support functions signed an integrity pledge promising to practice good corporate governance as part of the work culture of the Company. This is an ongoing transformation programme targeted to enhance work ethics leading to higher productivity.</p> <p>At Board Meetings, he leads discussions, encourages active participation and allows dissenting opinions to be aired from both the Directors and Management representatives who are invited to attend Board Meetings.</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

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
<p>Explanation on application of the practice</p>	<p>It has been the practice of the Board to set the policies and strategies, the Chairman to lead the Board in its collective oversight of management and the implementation of the policies and strategies and the day to day running of the operation of the Company be in the hands of the Management.</p> <p>For the financial year ended 31 December 2017, authority was delegated from the Board to the Management through the Group Managing Director. With the resignation of the Group Managing Director on 28 February 2018 and the appointment of the Executive Director on 28 March 2018, the same authority has been delegated to the Executive Director who directly oversees the day to day running of the operation.</p>
<p>Explanation for Departure</p>	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</p>	
<p>Measure</p>	
<p>Timeframe</p>	

Intended Outcome

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

Practice 1.4

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

Application	Applied
<p>Explanation on application of the practice</p>	<p>The Board of Directors, as a whole or as individuals, has direct access to advice and the dedicated support services of the Company Secretary in ensuring effective discharge of its roles and responsibilities. The Company Secretary also provides the Board with guidance on matters relating to good corporate governance practices, eg. disclosures, accountability and transparency.</p> <p>The Company Secretary attends all Board Meetings. She ensures that the meetings are properly convened and that proceedings and deliberations are accurately minuted. She subsequently communicates pertinent decisions to the Management for appropriate actions to be taken. The Board of Directors is updated on the follow up actions / status of implementation of its decisions through the board papers which are compiled by the Company Secretary.</p> <p>The Company Secretary also updates the Board of Directors on the latest amendments to legislation and corporate announcements released by Bursa Malaysia Securities Berhad (Bursa Securities) and how these amendments impact the Company.</p> <p>Notification will be sent to the Directors by the Company Secretary where there are impending restriction in dealing with the securities of the Company at least one month prior to the announcement of the quarterly results.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretary.</p>
<p>Explanation for Departure</p>	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</p>	
<p>Measure</p>	
<p>Timeframe</p>	

Intended Outcome

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

Practice 1.5

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

Application	Applied
Explanation on application of the practice	<p>All Directors are supplied with ample information through board papers and have free access to the Management and all other staff at all times to inquire or request for further information. These papers are circulated to the Directors at least one week before the date of the Board Meetings.</p> <p>At Board Meetings, the Directors actively engage with the Management to review and discuss financial and operational information and progress reports relating to the crucial aspects of the operation.</p> <p>Draft minutes of the Board and Board Committee Meeting are circulated to the Directors for comments within 1 week or sooner from the conclusion of the said Board or Board Committee Meetings.</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

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	The full details of the roles and responsibilities of the Board of Directors are captured in the Board Charter which is published on the Company's website. The Board Charter is reviewed periodically and as and when necessary so that it remains relevant to the expectations of the investing public and the shareholders of the Company.
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

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 conflict of interest, preventing the abuse of power, corruption, insider trading and money laundering.

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

Application	Applied
Explanation on application of the practice	<p>The Company has in place a Code of Conduct for employees governing various aspects of acceptable behaviour. This includes areas of conflict of interest, sexual harassment, etc. This is embedded in the Employee Handbook which is given to all employees and new recruits and the various policies which are disseminated from time to time.</p> <p>The Code of Conduct and Ethics for directors is in the midst of being formalized and will be published in the company's website in due course.</p> <p>The Company also has in place a Corporate Disclosure Policy which governs dissemination of confidential information and how confidentiality of such information is to be maintained and safeguarded.</p> <p>The Whistle Blowing Policy, Safety and Health Policy, Environmental and Biodiversity Policy, Social Policy and Sustainability Policy have also been established in 2017.</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

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 Company has in place a whistle blowing policy which provides an avenue for employees as well as third parties to report genuine concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover up of any of the matter in the workplace.</p> <p>The process to objectively investigate legitimate concerns has also been established. The whistle blower is also assured that any concern raised is treated in the strictest confidence and without risk of reprisal.</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 4.1

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

Application	Applied
<p>Explanation on application of the practice</p>	<p>The Board of Directors of the Company comprises 7 directors, 4 of whom are independent. Of the remainder, 2 are Executive Directors and the 1 other is a Non Independent Non Executive Director. The Chairman of the Company is one of the Executive Directors.</p> <p>As the Chairman of the Board is not an independent director, the majority of the Board comprises independent directors.</p> <p>With the resignation of the Group Managing Director on 28 February 2018 and the appointment of the Executive Director on 28 March 2018, the majority of the Board continues to comprise independent directors.</p>
<p>Explanation for Departure</p>	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</p>	
<p>Measure</p>	
<p>Timeframe</p>	

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of 9 years. Upon completion of the 9 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 9 years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the 12th year, the board should seek annual shareholders' approval through a 2 tier voting process.

Application	Applied
Explanation on application of the practice	<p>2 of the Company's Independent Directors have served on the board for more than the cumulative term of 9 years. Annual assessment of independence has been carried out for both these directors. The Members of the Remuneration and Nomination Committee feel that the length of service did not interfere with their ability to exercise independent judgement. Through the interactions at board meetings and other informal sessions between the Board and the Management and staff, the Members of the Remuneration and Nomination Committee are convinced that both the independent directors continue to act in the best interest of the Company. Their ability to contribute positively is also partly due to their familiarity with the business that they have gained with the many years on board.</p> <p>Together with the annual assessment conducted by the Members of the Remuneration and Nomination Committee, the Company also seeks annual shareholders' approval at the annual general meetings.</p> <p>The Company will continue this practice moving forward. If there are independent directors to be retained after the 12th year on board, the Board will seek annual shareholders' approval through a 2 tier voting process.</p> <p>That said, the Board remains open to onboard suitable candidates who can succeed the independent directors whose tenure have exceeded the cumulative term of 9 years and bring fresh perspectives to the Company.</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 interest of the company taking into account diverse perspective and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to 9 years.

Application	Not adopted
Explanation on application of the practice	
Explanation for Departure	Please refer to Explanation on application of the practice under Practice 4.2
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 interest of the company taking into account diverse perspective and insights.

Practice 4.4

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

Application	Applied																							
Explanation on application of the practice	The details in terms of diversity in the Board and the Key Management Personnel are as shown below :																							
	Board of Directors (as per Annual Report 2017)																							
	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Race</th> <th colspan="2">Age</th> <th colspan="2">Gender</th> </tr> <tr> <th>Malay</th> <th>Dayak</th> <th>Chinese</th> <th>40-50</th> <th>60-70</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>No. of Directors</td> <td>5</td> <td>1</td> <td>1</td> <td>3</td> <td>4</td> <td>5</td> <td>2</td> </tr> </tbody> </table>		Race			Age		Gender		Malay	Dayak	Chinese	40-50	60-70	Male	Female	No. of Directors	5	1	1	3	4	5	2
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Details of the skills and experience possessed by the Directors are found on pages 11 to 14 of the Annual Report 2017 and details of the skills of the key management personnel are found on pages 17 to 18 of the Annual Report 2017. With much diversity in skills, experience, age, cultural background and gender comes a larger pool of ability and capability to make better judgements and decisions.																								
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 interest of the company taking into account diverse perspective and insights.

Practice 4.5

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

Application	Applied
Explanation on application of the practice	At present, 2 out of the 7 Board Members are women, thus making the percentage of women on Board almost 30%. 2 out of 4 of the Company's key management personnel are women.
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 interest of the company taking into account diverse perspective and insights.

Practice 4.6

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

Application	Not Applied
Explanation on application of the practice	
Explanation for Departure	<p>The Board is of the opinion that recommendations from existing board members and major shareholders are good for the time being. The cost of engaging independent sources to identify suitably qualified candidates is daunting by comparison to the current performance of the Company. The present focus is to channel resources to increase yield and optimise production and productivity.</p> <p>Be that as it may, the Board will bear this option in mind and utilize it at a more appropriate juncture.</p>
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 interest of the company taking into account diverse perspective and insights.

Practice 4.7

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

Application	Applied
Explanation on application of the practice	The Chair of the Remuneration and Nomination Committee is Datu Haji Chaiti bin Haji Bolhassan, an Independent Director.
Explanation for Departure	
Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.	
Measure	
Timeframe	

Intended Outcome

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

Practice 5.1

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

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

Application	Applied
Explanation on application of the practice	<p>The Remuneration and Nomination Committee conducts formal assessment of the Board’s effectiveness as a whole, the contribution of each Director and the various Board Committees. It also assesses the independence of the Independent Directors annually.</p> <p>Areas of assessment include composition, knowledge, skills and experience. In terms of independence, the Independent Director must satisfy the requirements of Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements.</p> <p>Currently, the Board does not engage independent experts periodically to facilitate objective and candid board evaluations. Nevertheless, the Board is mindful of this option and may utilize it at a more appropriate juncture.</p>
Explanation for Departure	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</p>	
Measure	
Timeframe	

Intended Outcome

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

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

Practice 6.1

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

Application	Applied																																																								
<p>Explanation on application of the practice</p> <p>The remuneration policy seeks to attract, maintain and retain a set of Directors and key management personnel of requisite caliber to meet the demands and complexities of the job. The corporate values are also part and parcel of the qualities looked for in a Director and a key management personnel. The remuneration package is linked to seniority, position, experience, commitment, personal performance and the Company's overall performance.</p> <p>For the financial year ended 31 December 2017, the approving authority for the remuneration of the various categories of personnel are as follows:</p>	<table border="1"> <thead> <tr> <th rowspan="2">Item</th> <th colspan="3">Approving Authorities</th> <th rowspan="2">Review interval</th> </tr> <tr> <th>Shareholders</th> <th>Board</th> <th>GMD</th> </tr> </thead> <tbody> <tr> <td>Remuneration of the Board of Directors</td> <td>x</td> <td></td> <td></td> <td>Annual</td> </tr> <tr> <td>Remuneration of the GMD</td> <td></td> <td>x</td> <td></td> <td>Annual</td> </tr> <tr> <td>Remuneration of the Key Management Personnel</td> <td></td> <td>x</td> <td></td> <td>Annual</td> </tr> <tr> <td>GMD and Key Management Personnel Annual Salary Increment / Adjustment</td> <td></td> <td>x</td> <td></td> <td>Annual</td> </tr> <tr> <td>GMD and Key Management Personnel Annual Performance Incentive / Bonus</td> <td></td> <td>x</td> <td></td> <td>Annual</td> </tr> <tr> <td>Staff Annual Salary Increment / Adjustment</td> <td></td> <td></td> <td>x</td> <td>Annual</td> </tr> <tr> <td>Staff Annual Performance Incentive / Bonus</td> <td></td> <td></td> <td>x</td> <td>Annual</td> </tr> <tr> <td>Remuneration of new recruits – GMD and Key Management Personnel</td> <td></td> <td>x</td> <td></td> <td>n/a</td> </tr> <tr> <td>Remuneration of new recruits – staff</td> <td></td> <td></td> <td>x</td> <td>n/a</td> </tr> </tbody> </table>	Item	Approving Authorities			Review interval	Shareholders	Board	GMD	Remuneration of the Board of Directors	x			Annual	Remuneration of the GMD		x		Annual	Remuneration of the Key Management Personnel		x		Annual	GMD and Key Management Personnel Annual Salary Increment / Adjustment		x		Annual	GMD and Key Management Personnel Annual Performance Incentive / Bonus		x		Annual	Staff Annual Salary Increment / Adjustment			x	Annual	Staff Annual Performance Incentive / Bonus			x	Annual	Remuneration of new recruits – GMD and Key Management Personnel		x		n/a	Remuneration of new recruits – staff			x	n/a			
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Explanation on application of the practice	With the resignation of the Group Managing Director and the appointment of the Executive Director in 2018, the areas for approval and the approving authorities will be streamlined accordingly.
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

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

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

Practice 6.2

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

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

Application	Applied
Explanation on application of the practice	<p>The Remuneration and Nomination Committee was established on 1 May 2007. It is charged with looking into remuneration policies which attracts, maintains and retains a set of Directors and key management personnel of requisite caliber to propel the Company towards greater prospects and growth.</p> <p>The Terms of Reference of the Remuneration and Nomination Committee are found on the Company's website.</p>
Explanation for Departure	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</p>	
Measure	
Timeframe	

Intended Outcome

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

Practice 7.1

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

Application	Applied
Explanation on application of the practice	The remuneration breakdown of the individual directors is found on page 36 of the Annual Report 2017.
Explanation for Departure	
Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.	
Measure	
Timeframe	

Intended Outcome

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

Practice 7.2

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	Not Applied
Explanation on application of the practice	
Explanation for Departure	<p>The Company has an existing policy whereby remuneration of all its employees, apart from Directors, is classified as confidential. This is a precautionary stand taken by the Company to prevent dissatisfaction and animosity among staff. It is of the opinion that disclosure of salary, bonus, benefits in kind and other emoluments even though in bands of RM50,000 but on named basis will create negative repercussions.</p> <p>In line with this policy, the remuneration of the key management personnel of the Company will not be disclosed.</p>
Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.	
Measure	
Timeframe	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	Not Applied
Explanation on application of the practice	
Explanation for Departure	Please refer to Explanation for Departure under Practice 7.2
Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.	
Measure	
Timeframe	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	Applied
Explanation on application of the practice	<p>The Chairman of the Audit Committee Puan Umang Nangku Jabu is not the Chairman of the Board.</p> <p>The Terms of Reference of the Audit Committee also provides that the position of the Chairman of the Audit Committee cannot be held by the Chairman of the Board.</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

There is an effective and independent Audit Committee.

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

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling off period of at least 2 years before being appointed as a member of the Audit Committee.

Application	Applied
Explanation on application of the practice	It is a policy of the Audit Committee not to appoint a former audit partner who had been auditing the Company's financial statements as a member of the Audit Committee unless a 2 years' cooling off period has been observed. This is part of the Audit Committee's terms of reference.
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

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	Applied
<p>Explanation on application of the practice</p>	<p>Yearly, the External Auditors, KPMG, present its Audit Plan to the Audit Committee in the meetings scheduled in November. In the year under review, the 2017 Audit Plan was presented to the Audit Committee in November 2017. The matters highlighted included the names of key personnel assigned to conduct the audit, the audit timeline, the areas of focus and the materiality thresholds.</p> <p>Aside from the above, the Audit Committee also met with KPMG on separate occasions in the year for discussions on its audit, its findings and its interaction with the Management and staff in relation to the audit engagement. These independent meetings not only help the Audit Committee to better assess KPMG's performance but it also provides the latter an opportunity to highlight issues, if any, in the absence of the Management. Through these engagements, the Audit Committee will form its opinion on the suitability and objectivity of the performance of KPMG and the level of its independence throughout the audit exercise.</p> <p>KPMG also provides assurance of its independence to the Audit Committee in face to face meetings and this assurance is recorded in the Minutes of Meeting of the Audit Committee.</p> <p>Having regard to all the factors, the Board had approved the Audit Committee's recommendation that shareholders' approval be sought at the forthcoming AGM for the reappointment of KPMG as the External Auditors of the Company.</p>
<p>Explanation for Departure</p>	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</p>	
<p>Measure</p>	
<p>Timeframe</p>	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	Applied
Explanation on application of the practice	All 4 members of the Audit Committee are Independent Directors of the Company. The Terms of Reference of the Audit Committee have been amended accordingly to reflect the above.
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

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	Applied
Explanation on application of the practice	<p>The Audit Committee possesses a wide range of necessary skills to discharge its duties. As provided in the Terms of Reference of the Audit Committee, all members are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.</p> <p>The qualifications and experience of the Audit Committee Members are disclosed in the “Board of Directors” portion of the Annual Report 2017 and found on pages 13 to 14.</p> <p>The Audit Committee is always kept abreast of relevant developments in accounting and auditing standards, practices and rules by the Chief Financial Officer and External Auditors.</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 9.1

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

Application	Applied
Explanation on application of the practice	<p>The Risk Management Committee which was established on 1 May 2007 forms an integral part of effective management of the Company. It seeks to identify and address principal risk areas which include business, environment, human capital, safety, security, operation and sustainability of the Company with the aim of preventing and, where possible, mitigating these risks.</p> <p>The Company's risk management and internal control system is designed to manage and mitigate risks that may impede the Company's achievements or its objective. Due to the limitations inherent in any risk management and internal control system, it is not possible to totally eliminate risks.</p> <p>Further details of the Company's risk management and internal control system are stated in the Statement on Risk Management and Internal Control found on pages 39 to 40 of the Annual Report 2017. The Statement on Risk Management and Internal Control has been reviewed by KPMG, the External Auditors.</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 9.2

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

Application	Applied
Explanation on application of the practice	<p>The Management periodically reviews the existing risks identified in the Risk Profile. A system is also in place to identify new risks which may arise over time and circumstances. The results of and the recommendations arising from these reviews are tabled to the Risk Management Committee and the Risk Profile updated. The updated Risk Profile will then be presented to the Board.</p> <p>The features of the Company's risk management and internal control framework and the adequacy and effectiveness of this framework are described in the Statement on Risk Management and Internal Control found on pages 39 to 40 of the Annual Report 2017. The Statement on Risk Management and Internal Control has been reviewed by KPMG, the External Auditors.</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 9.3 - Step Up

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

Application	Applied
Explanation on application of the practice	<p>The Members of the Risk Management Committee are Ali bin Adai and Azizi bin Morni, both of whom are independent directors of the Company.</p> <p>The Terms of Reference of the Risk Management Committee have been amended accordingly to state that the Risk Management Committee shall comprise a majority of independent directors.</p>
Explanation for Departure	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</p>	
Measure	
Timeframe	

Intended Outcome

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

Practice 10.1

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

Application	Applied
Explanation on application of the practice	<p>The Internal Audit activity's, its position within the Company, including the functional direct reporting and access of the Internal Audit Manager to the Audit Committee is established in the Company's Internal Audit Charter. The final approval of the Internal Audit Charter resides only with the Audit Committee.</p> <p>The Internal Audit Charter should always conform and recognize the mandatory nature stated by the International Standards for the Professional Practice of Internal Auditing.</p> <p>In managing and ensuring independence and objectivity for internal auditors, the Audit Committee determines the tasking, appraisal and remuneration of the Internal Audit Manager to avoid potentially harmful influences and incentivizing wrong outcomes.</p> <p>The Internal Audit Manager must confirm to the Audit Committee at least annually the organizational independence of the internal audit activity.</p> <p>The Audit Committee also tables its Report to the Board of all meetings held so that the Board is apprised of the matters reviewed and deliberated upon at the Audit Committee Meetings.</p>
Explanation for Departure	
Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.	
Measure	
Timeframe	

Intended Outcome

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

Practice 10.2

The board should disclose:

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

Application	Applied
<p>Explanation on application of the practice</p>	<p>The Internal Audit Department is managed by Mohamad Adzman Bin Abdullah who is responsible for the internal audit's activities. He has a Masters in Finance, he is a Chartered Accountant (CA) and a member of the Malaysia Institute of Accountants (MIA).</p> <p>The Internal Audit Department is currently manned by 10 other personnel. The internal audit activity must be independent and internal auditors must be objective in performing their work to avoid any impairment.</p> <p>The internal audit function should always be carried out in accordance with the mandatory nature stated by the International Standards for the Professional Practice of Internal Auditing outlining the internal auditing process, Code of Ethics and Standards.</p> <p>The Internal Audit Manager communicates with the Audit Committee on internal audit's resource requirement and staff's proficiency to optimize audit's approved plan.</p> <p>The Internal Audit Manager must confirm to the Audit Committee at least annually the organizational independence of the internal audit activity.</p>
<p>Explanation for Departure</p>	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</p>	
<p>Measure</p>	
<p>Timeframe</p>	

Intended Outcome

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

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

Practice 11.1

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

Application	Applied
Explanation on application of the practice	<p>The Company recognizes the importance of effective communication with its shareholders and investors.</p> <p>Various channels are used by the Board to disseminate information on major corporate developments and events. They include:</p> <ul style="list-style-type: none"> - Annual General Meetings; - Various disclosures and announcements made to Bursa Malaysia Securities Berhad; - Press release and press statements; - Circular to shareholders; - Company website at www.spbgroup.com.my <p>Further the investing community, comprising individuals, analysts, fund managers and other stakeholders, dialogues with the Company's representatives on a regular basis. This enables the investors to get a balanced understanding of the main issues and concerns affecting the Company. Discussions at such meetings and dialogues are restricted to matters that are in the public domain.</p> <p>Whilst the Company endeavours to provide as much information as possible to its stakeholders, it is also conscious of the legal and regulatory framework governing the release of material and price sensitive information within which it must abide.</p>
Explanation for Departure	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</p>	
Measure	
Timeframe	

Intended Outcome

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

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

Practice 11.2

Large Companies are encouraged to adopt integrated reporting based on a globally recognized framework.

Application	Not Applied
Explanation on application of the practice	
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 12.1

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

Application	Applied
Explanation on application of the practice	It has been the practice of the Company to give more than 21 days' notice to its shareholders before its Annual General Meeting is held. With effect from this Annual General Meeting, at least 28 days of notice will be given.
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 12.2

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

Application	Applied
<p>Explanation on application of the practice</p>	<p>It has been the practice of the Company that all Directors be present at its Annual General Meetings. As this is a forum for shareholder engagement, the Chairman encourages shareholders present to raise their concerns and depending on the topic asked, will either answer the question himself or direct it to any of the Directors present and is more suited to address the issue.</p> <p>All Key Management Personnel are present at the Annual General Meeting. They too assist to provide response to queries raised.</p> <p>The Notice of Annual General Meeting also sets out clearly the resolutions which will be tabled and provides explanatory notes to assist shareholders make informed decisions.</p>
<p>Explanation for Departure</p>	
<p>Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.</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 12.3

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

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

Application	Not Applied
Explanation on application of the practice	
Explanation for Departure	The Company's Annual General Meetings have always been held at easily accessible venues for the convenience of the shareholders. The Company has no intention to hold its Annual General Meetings in remote locations in the future.
Large companies are required to complete the columns below. Non large companies are encouraged to complete the columns below.	
Measure	
Timeframe	