

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5126
COMPANY NAME : Sarawak Oil Palms Berhad
FINANCIAL YEAR : December 31, 2019

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>The Board sets the Vision, i.e. "To Become A Diversified Corporation with Global Recognition" and promulgates the following Core Values for Sarawak Oil Palms Berhad Group ("Group") to uphold and adhere to in the pursuit of realizing its Vision.</p> <p><u>Core values of the Group:</u></p> <ul style="list-style-type: none"> a) Insist on Quality, b) Be Competitive and have Strong Will to succeed, c) Continuous Improvement in Productivity and Performance, d) Integrity and Professionalism, e) Team Spirit and Unity, f) Continuous Growth, Improvement and Development of Skill and Knowledge, g) See Changes as Opportunities, h) Environmentally and Safety Conscious. <p>The Board sets up its governance structure to ensure the Group functions efficiently and effectively in building a sustainable future for the Group.</p> <p>The responsibilities of the Board and the committees are spelt out in the Board Charter which is available at the company website, www.sop.com.my.</p> <p>Further details are disclosed in the "<u>Corporate Governance Overview Statement</u>" Section of the Annual report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.2

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	:	Tan Sri Datuk Ling Chiong Ho is the Group Executive Chairman. He provides leadership to the Board and instills good corporate governance practices at all levels of the Group. His profile is further disclosed in the " <u>Profile of Board of Directors</u> " section of the Annual report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	Tan Sri Datuk Ling Chiong Ho is the Group Executive Chairman whilst Mr. Wong Hee Kwong is the Group Chief Executive Officer. They are <u>not</u> "person connected" under the definition of Bursa Malaysia Main Market Listing Requirements. Further details are disclosed in the " <u>Profile of Board of Directors</u> " and " <u>Profile of Key Senior Management</u> " section in the Annual report.
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 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretary, Mr. Eric Kiu Kwong Seng (LS No. 0007062) assumed the position of company secretary since 1998, and has by now about 21 years of experience in corporate secretarial services.</p> <p>The Board has direct access to the advice and services of Company Secretary, who supports the Board in the discharge of its functions. He plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with relevant regulatory requirements, rules and regulations. He supports the Board in managing the Group Governance Model, ensuring it is effective and relevant. He attends all Board Meetings and ensures that the meetings are properly convened and that proceedings and deliberations at the Board and Board Committee are accurately recorded. He also facilitates the communication of key decisions and policies between the Board, Board Committees and Senior Management and to update the Board on the follow-up or implementation of its decisions/recommendations by the management.</p> <p>Further details are disclosed in the "<u>Profile of Key Senior Management</u>" section of the Annual report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	The Group Executive Chairman and Group Chief Executive Officer with the assistance of the Company Secretary, ensures that the Board receives accurate, timely and clear information. Each Director is provided with an agenda, briefing papers and comprehensive operating and financial management reports for the period under review, five (5) working days before Board meeting. Formal minutes of each Board meeting are prepared, circulated and submitted for approval at the next 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	:	

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 Board has promulgated a Board Charter which sets out the Board's strategic objectives and spells out the Board's roles and functions. The Board Charter is reviewed periodically and updated accordingly to ensure its relevance and effectiveness. The Board Charter is available at the company's website. Last updated: November 2019
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	:	All Directors and employees are expected to uphold integrity and reputation of the Group by adhering to highest standard of ethics and professionalism at all times. The Company's Code of Business Conduct and Ethics sets forth the standard of conducts and ethics expected from all its directors, managers and employees of the Group. This document is reviewed from time to time and available at the company's website.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	The Board has promulgated a whistle blowing policy to encourage employees and stakeholders to disclose any malpractice or misconduct of which they become aware of. All concerns or complaints shall be made confidentially. The Whistle Blowing Policy is available at the company's website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>As at 31 December 2019, the Board comprises of ten (10) members, of whom are one (1) Executive Director, five (5) Non-independent Non-Executive Directors and four (4) Independent Non-Executive Directors.</p> <p>This fulfils the Bursa Malaysia Listing Requirements which requires at least two (2) Directors or one-third (1/3) of the Board whichever is higher, to be Independent Directors.</p> <p>However, this has not met the criteria of having a majority of Independent Directors for Large Company as set out in the MCCG.</p> <p>The Chairman of the Board encourages all directors to express their opinions freely during deliberations in meetings and that no individual or small group of individuals dominates the decisions of the Board.</p> <p>The extensive knowledge and experience of the four (4) independent directors are invaluable in providing the necessary checks and balances and taking care of minority shareholders' interests.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board, through the Nomination Committee, will continue to identify potential independent directors that possess the right skills and knowledge required by the Group.	
Timeframe	:	Others	3 years

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Two Tier Voting
Explanation on application of the practice	:	All the independent Directors, with the exception of one, have not served for a period of more than nine years. The Board agreed that at the forthcoming AGM, Independent Director who has served for a cumulative term of beyond 12 years will be subjected to a Two-Tier voting process.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3 - Step Up

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

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

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	The Board takes into consideration the recommendation made by the Nomination Committee in deciding appointment of new Director. In making its recommendations, the Nomination Committee has objectively assessed the suitability of candidates by taking into account the required knowledge, professionalism, expertise and experience, integrity, competency and other qualities, which the candidates would bring to the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure		
Explanation on application of the practice	:	-		
Explanation for departure	:	<p>The Board currently has one (1) female director and one (1) female alternate director.</p> <p>The Board recognizes the value of gender diversity for the Group. At present, the Group has 45% (2018:43%) females in its managerial positions in its service departments. Agendas or insights from feminine perspective have been embedded in the Group's culture and practices.</p> <p>The Board has no specific policy on setting targets on female candidates to be appointed to the Board.</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	:	The Board will through the Nomination Committee to continue reviewing the size, composition structure of the Board and its effectiveness from time to time.		
Timeframe	:	<table border="1"> <tr> <td>Not set</td> <td>The Nomination Committee will however continue to actively ensure suitable female candidates are sought as part of its recruitment exercise</td> </tr> </table>	Not set	The Nomination Committee will however continue to actively ensure suitable female candidates are sought as part of its recruitment exercise
Not set	The Nomination Committee will however continue to actively ensure suitable female candidates are sought as part of its recruitment exercise			

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee makes use of various independent sources to identify and to assess candidates suitable for new directorship appointment. Thereafter it will make recommendation to the Board.</p> <p>In appointing a new Director, the Board takes into consideration recommendation made by the Nomination Committee.</p> <p>Cross refer to disclosure in the "<u>Corporate Governance Overview Statement - Appointment and Re-election of Directors</u>" Section of the Annual report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	The Nomination Committee is chaired by Mr. Fong Yoo Kaw @ Fong Yee Kow, Victor, an Independent Non-Executive Director. Cross refer to disclosure in the " <u>Corporate Governance Overview Statement - Nomination Committee</u> " Section in the Annual report.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee chaired by Independent Non-executive Director, Mr. Fong Yoo Kaw @ Fong Yee Kow, Victor, undertook a formal and rigorous annual appraisal of the Board collectively as well as on individual basis. Based on the outcome of the appraisal, the Board was satisfied with the performance and effectiveness of the Board collectively as well as on individual basis.</p> <p>In addition to internal appraisal, the Board also considers to engage independent consultants to assess the board's effectiveness on periodic basis.</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 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The policy practiced by the Group is to provide remuneration package necessary to attract, retain and motivate Directors. The structure of remuneration package of Directors is also linked to corporate and individual performance.</p> <p>Where applicable, information provided by independent consultants or survey data on comparable companies are also taken into consideration in determining the remuneration package.</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 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	:	The Remuneration Committee consists of three Non-Executive Directors, of whom two are Independent Non-Executive Directors. The Terms of Reference of the Remuneration Committee is available on the company's website.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The remuneration for each individual directors are disclosed in the " <u>Directors' Remuneration</u> " Section of the Annual Report 2019.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board opined that it would not be in the best interest of the Company to disclose the remuneration of its key senior management on a named basis on the grounds of confidentiality concerns arising from such a disclosure.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company has identified the top 5 senior management (operations only) as follows: Group Chief Executive Officer ("GCEO"), Chief Operating Officer ("COO"), Head of Plantation operations, Head of Milling operations and Head of Commodities Trading. The combined remuneration of these executives for the year 2019 was approximately RM4.60 million (2018: RM4.23 million), inclusive of basic, allowances, bonus, benefits in kind and other emoluments.
Timeframe	:	Not set

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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	:	The Group Audit and Risk Management Committee ("GARC") is chaired by Mr. Fong Yoo Kaw @ Fong Yee Kow, Victor, an Independent Non-Executive Director. Further information is disclosed at the "Group Audit And Risk Management Committee Report" Section of the Annual report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Group policy contains a clause that states that any former key audit partner shall not become a member of the Audit Committee until at least 2 years have elapsed after the end of the accounting period during which he was involved in the audit of the Group's financial statements.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied	
Explanation on application of the practice	:	The GARC reviewed annually with the external auditors, the audit scope and audit planning memorandum. The GARC reviewed annually the independence and objectivity of external auditors and their services including fees, so as to ensure a proper balance between objectivity and value for money.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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	:	The GARC members are all financially literate and also have in-depth knowledge of the Group's businesses and operations. All GARC members undergo ongoing training and professional development to keep themselves abreast of relevant development as disclosed in the " <u>Directors' Training and Development</u> " Section in the Annual report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established an effective risk management and internal control framework system.</p> <p>The Group Audit and Risk Management Committee assesses and evaluates the risk management measures taken by the Group to mitigate risks that are identified.</p> <p>A formal and on-going process of identifying, evaluating, managing and monitoring principal risks that affect the achievement of the Group's business objectives in a structured manner has been in place. The Group has established procedures for reporting and monitoring of risks and controls. Regular reviews are conducted on quarterly basis with additional reviews to be carried out as and when required.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has established an effective framework for Risk Management and other key components of internal control system. The features are disclosed in the " <u>Statement on Risk Management and Internal Control</u> " section in the Annual report..	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	The GARC affirms its responsibility for the Group's system of risk management and internal control which includes the establishment of an appropriate control environment and framework, determining appropriate scope of work, sufficiency of resources as well as reviewing its adequacy and effectiveness. The Internal audit ("IA") department reports directly to the GARC with independent and objective reports on the state of the internal control of the various operating units within the Group. The GARC ensures that internal audit functions independently and objectively.	
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 have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The IA team comprised 15 (2018: 15) audit personnel led by an Internal Audit Manager, who holds a Bachelor of Commerce, majoring in Accounting and Finance) and has over 8 years of working experiences in finance, accounting and auditing across multiple industries.</p> <p>The Internal Audit personnel have neither relationships nor conflict of interest within the Group.</p> <p>The IA team adopts internal audit standards and best practices based on the International Professional Practices Framework (IPPF), issued by the Institute of Internal Auditors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group is committed to engage with stakeholders through dialogue sessions to obtain their feedback.</p> <p>One main forum for dialogue and interaction with shareholders takes place at the Annual General Meeting, where the members of the Board, the Chairman of each Board Committee, and Senior Management are present. At the Annual General Meeting, shareholders are given the opportunity to air their views and ask questions regarding the Group.</p> <p>The external auditors are also present to address shareholders' queries on the conduct of audit and audited financial statements.</p> <p>Cross refer to disclosure in the "<u>Corporate Governance Overview Statement - Communication with Shareholders and Investors</u>" Section in the Annual report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board acknowledges that the integrated reporting will improve quality of information available to investors, and promote greater transparency. However, a special team comprising various operating and functional units, and with specialized training is required for preparation of such an integrated reporting.
		-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The current reporting complies with the requirements of the applicable accounting standards, Companies Act 2016, and Bursa Malaysia Listing Requirements. The Board will consider adoption of the integrated reporting at an appropriate time in future based on globally well received framework.
Timeframe	:	Within 2 years

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	:	Shareholders are notified of the Annual General Meeting and provided with a copy of the Company's abridged Annual Report 28 days before the meeting. The notice is also advertised in newspapers and made available at the company's website.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>At Annual General Meeting, all Directors, Chair persons of the each committee and Group Chief Executive Officer are present to answer and provide explanation on questions posed by shareholders.</p> <p>External auditors are also present to address queries pertaining to audited financial statements.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Any shareholder who is unable to attend the General Meeting may appoint a proxy to attend and vote in his stead. This is done via the filing of the 'Form of proxy' not less than 48 hours before the time appointed for the holding of the meeting. The form can be found with the Notice of AGM and on the company's website.</p> <p>A polling agent and scrutineer are engaged to count and validate the votes casted at the meetings. Detailed poll results are announced at the General Meeting and also uploaded on the company's website.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Costs effectiveness of technology for remote shareholders' participation, and cyber security issues are matters being evaluated.	
Timeframe	:	Others	3 years

**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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