

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1783
COMPANY NAME : Selangor Properties Berhad
FINANCIAL YEAR : 31 October 2018

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 of Directors (the "Board") of Selangor Properties Berhad ("SPB" or the "Company") recognises the importance of adopting robust corporate governance standards in its efforts to enhance shareholders' value, whilst ensuring probity and safeguarding other stakeholders' interest.</p> <p>In tandem with its value creation role, the Board assumes an active role in the development and oversight of the overall strategic direction of the Company and its subsidiaries ("the Group"). The Board establishes the Group's goals and strategic directions, setting goals and targets for management and monitoring the achievement of goals and targets.</p> <p>Proposals by the Management which are reserved for the Board's approval will be discussed at the Board Meetings, where the Directors have the opportunity to scrutinise the proposals and seek clarification from the Management team. The Executive Chairman ensure that Management has taken into account all the appropriate consideration before tabling the proposals to the Board. Any significant updates on the proposals would be updated to the Directors either in the next Board Meeting or in follow-up reports to be distributed.</p> <p>In order to effectively measure and monitor the performance and progress of Management towards achieving the strategic objectives of the Group, the Management has established a set of Key Performance Indicators ("KPIs") that incorporates both quantitative and qualitative elements in its Annual Budget which has been tabled to the Board for approval. The quarterly financial results and budget reports are amongst others, tabled to the Board during Board meetings to keep Directors apprised on the latest operational developments and any significant issues pertaining to the Group.</p>

	<p>Additionally, the Board directs its efforts to identify and evaluate principal risks surrounding the Group, whilst ensuring the implementation of appropriate systems to manage these identified risks. The risk management and internal control framework has been developed with a view of ingraining ethical, prudent and professional behaviour across every level of the Group’s operations. In this regard, the Board, as the pivot of corporate governance, is committed to fostering a healthy corporate culture by establishing the right principles.</p> <p>The Senior Management has necessary skills and experience and there are measures in place to cater for Board and Senior Management succession plans.</p> <p>In pursuit of the business objectives, the Board is mindful of its responsibility on the environmental, economic and social (“EES”) aspects of business sustainability. Notably, the Group leverages on technology to promote environmental sustainability for selected development projects. The details of the Company’s sustainability activities and performance are discussed in the Sustainability Statement of the Annual Report.</p> <p>On the stakeholder engagement front, the Board continuously ensures that effective channels of communication are maintained to provide stakeholders with appropriate platforms to channel pertinent views or concerns.</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	:	<p>The Board is led by Mr. Wen Chiu Chi, an Executive Chairman (the "Chairman"), who has been the Executive Director of the Group from year 1979 to year 2000 and Managing Director from year 2000 until his appointment as Executive Chairman on 27 December 2017.</p> <p>As Executive Chairman, he is responsible for leading and ensuring effective conduct of the Board. In fulfilling the role, he, amongst others, carries out the following:-</p> <ul style="list-style-type: none">• executive management of the Group's business covering, inter alia, the development of a strategic plan, annual operating plan and budget;• performance benchmarks to gauge Management's performance and the analysis of management reports;• developing long-term strategic and short-term profit plans;• set, review and ensure compliance with the Company's value;• directing and controlling all aspects of the business operations;• effectively oversee the human resources of the Group with respect to key positions in the Group's hierarchy;• ensures that the Group's financial reports present a true and fair view of the Group's financial condition and operational results and are in accordance with the relevant accounting standard;• assures the Company's corporate identity, products and services are of high standards and are reflective of the market environment;• be the official spokesman for the Group and responsible for regulatory, government and business relationships;• ensures compliance with governmental procedures and regulations;• coordinate business plans with the business heads, coordinates management issues through the Board, and oversees divisional function groups and cost containment process in consultation with the Chief Operation Officer and the Director of Finance;• maintains and facilitates a positive working environment and good employee relations;• organise information necessary for the Board to deal with the agenda and to provide this information to Directors on a timely basis; and• in discharging the above responsibilities, the Chairman can delegate appropriate functions to the Senior Management, who shall report to the Chairman.

	The responsibilities of the Executive Chairman are detailed in the Board Charter, which is available on the Company's website at www.selangorproperties.com.my .	
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The positions of the Executive Chairman and the Chief Executive Officer of the Company ("CEO") are held by Mr. Wen Chiu Chi. As he has been an Executive Director from year 1979 to year 2000 and the Managing Director/CEO from year 2000 to year 2017, he has acquired vast experience in the business of the Group and hence, is most qualified to hold both positions to lead the Board and the Senior Management respectively.</p> <p>The Board is cognisant of the need for heightened checks and balances given that the Executive Chairman also holds the CEO position. As a testament of the Board's efforts to ensure no single individual has unfettered powers in making decision, the Board has appointed four (4) Independent Non-Executive Directors to be present on the Board which could help to mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the Group. The Board is satisfied that the current Board composition fairly reflects the interest of the minority shareholders of the Company. The Independent Non-Executive Directors are actively involved in the various Board Committees. They provide broader views, independent assessments and opinions on management proposals, particularly any related party transactions.</p> <p>The responsibilities of the Executive Chairman are encapsulated in the Board Charter, which is made available on the Company's website at www.selangorproperties.com.my.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 Board is supported by two professionally qualified and competent Company Secretaries, namely, Ms Tai Yit Chan and Ms Choong Lee Wah.</p> <p>The Board is regularly apprised and advised by both Company Secretaries on statutory and regulatory requirements as well as pertinent governance matters. In discharging their role as counsels to the Board, the Company Secretaries advise the Board on their roles and responsibilities, corporate disclosure obligations, compliance with company and securities laws and regulations and listing requirements as well as manage the processes pertaining to meeting of members of the Company when they arise. In addition, the Company Secretaries also ensure proper supply of relevant information as well as the accuracy and adequacy of meeting materials, recording of meeting minutes and resolutions of the Board and Board Committees. On the stakeholder engagement front, the Company Secretaries serve as a focal point for stakeholders' communication and engagement on corporate governance issues.</p> <p>For the financial year ended 31 October 2018, the Company Secretaries have attended relevant continuous professional development programmes as required by MAICSA for practising Company Secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions. Detailed information on the functional accountabilities of the Company Secretaries is encapsulated in the Board Charter.</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 1.5

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 the Board members are furnished with the notice at least seven (7) days prior to the meeting and the Board papers are circulated at least five (5) business days prior to the meeting, in which the Board deemed as reasonable. This enables the Directors to have sufficient time to review the Board papers and to obtain further explanation or clarification to facilitate decision making process and meaningful discharge of their duties.</p> <p>Exceptions may be made in certain ad-hoc or urgent instances when Directors unanimously consent to a shorter notice period and elapsed timeframe for the provision of meeting materials.</p> <p>In order to ensure Directors are well-informed of the proceedings that took place, the minutes of the meetings are recorded by the Company Secretaries and circulated to the Board members within a reasonable timeframe upon conclusion of the relevant meeting. The minutes of meetings record the decisions, including dissenting comments made, rationale for decisions and conclusions. The Chairman of the Board Meetings signs the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept in the statutory book at the registered office of the company to be made available for inspection under Companies Act 2016.</p> <p>In addition to the provision of meeting materials, the Directors may also obtain independent professional advice if necessary at the Company's expense in the furtherance of their duties (as stated in the Board Charter and paragraph 15.04 of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities")).</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	: Applied
Explanation on application of the practice	<p>The Board has formalised a Board Charter which serves the Board as the primary guiding literature and a frame of reference which specifically delineates matters on governance matters for Directors. The Board Charter is periodically reviewed and updated based on the prevailing regulatory promulgations and corporate governance enumerations. The Board Charter is available on the Company's website at www.selangorproperties.com.my.</p> <p>The Board Charter inter alia outlines the following:-</p> <ul style="list-style-type: none">● Composition of the Board● Role of the Board● Role of the Chairman at Board level● Role of the Chairman in Management● Role of Individual Directors● Role of Independent Director● Role of Senior Independent Director● Board Processes● Company Secretary● Board Committees● The Board's Relationship with Shareholders and Stakeholders <p>In developing and reviewing the Board Charter, the Board has taken into account the applicable rules, laws and regulations as well as internal policies.</p> <p>The Board has also established a formal schedule of matters reserved for collective decision of the board as follows:</p> <p><u>Conduct of the Board</u></p> <ol style="list-style-type: none">1. Appointment and recommendation for the removal of Directors.2. Appointment and removal of Company Secretaries.3. Appointment of Board committees and members.

4. Approval of terms of reference of Board committees and amendments to such terms.
5. Appointment of senior executive positions, including that of the Executive Chairman, Managing Director, Chief Executive Officer and Executive Directors of the Company and their duties and the continuation (or not) of their service.

Remuneration

1. Approval/recommendation of the directors' fee/remuneration arrangements for Non-Executive Directors.
2. Approval of the remuneration structure and policy for the Executive Chairman, Managing Director, Chief Executive Officer and Executive Directors.
3. Approval of the remuneration packages of the Executive Chairman, Managing Director, Chief Executive Officer and Executive Directors.
4. Approval of any proposed employees' share option scheme and/or amendments to the scheme, subject to other relevant approvals that may be required by law or regulations.

Operational

1. Approval of Group's business strategy and operational plan and annual budget.
2. Review of operational performance against Group's business strategy and operational plan, including monitoring of key risks and risk management policies and actions.
3. Approval of the Limits of Authority for the Company.
4. Approval of capital expenditure where such amounts exceed the Management's limits of authority.
5. Approval of bad debts write-off where such amounts exceed the Management's limits of authority.
6. Approval of investment or divestment in a company/business/property/undertaking.
7. Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
8. Approval of changes in the major activities of the Company or Group.
9. Approval of treasury policies and bank mandate.

Financial

1. Approval of interim and annual financial statements.
2. Approval for the release of financial announcements.
3. Approval of the annual Directors' Report, Annual Report and Statutory Audited Accounts.
4. Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
5. Adoption of accounting policies.

	<p>6. Review the effectiveness of the Group's system of internal control (which is delegated to the Audit Committee which in turn reports to the Board on its findings).</p> <p>7. Approval of financing facilities and arrangements.</p> <p><u>Other Matters</u></p> <p>1. The granting of powers of attorney by the Company.</p> <p>2. The entering into of any indemnity or guarantee by the Company.</p> <p>The Board Charter was last reviewed on 26 June 2018. The Board Charter is accessible for reference on the Company's website at www.selangorproperties.com.my.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

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

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

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised a Code of Ethics and a Code of Conduct (the "Code") which sets out broad principles and standards of business ethics and conduct. Salient considerations of the Code have been embedded in the Employee Handbook to amplify the expected standards of behaviour for Directors and Management respectively.</p> <p>The Code of Conduct covers the following overarching areas:-</p> <ul style="list-style-type: none">• Equal treatments of all employees;• Ensure a safe and secure working environment;• Environmental protection;• Avoidance of accepting gifts and business courtesies;• Maintain complete and accurate business records;• Ensure high integrity and professionalism;• Ensure protection of confidential information;• Managing conflict of interest; and• Complying with laws including abuse of power, corruption, insider trading, money laundering and abuse of power. <p>The Code of Ethics covers the following overarching areas:-</p> <ul style="list-style-type: none">• Corporate Governance;• Conflict of interest; and• Social responsibilities and the environment. <p>The Code and Employee Handbook are disseminated to employees of the Group, and embedded as part of SPB's onboarding session to all new employees.</p> <p>The Board ensures the implementation of appropriate internal systems to support, promote and ensure the compliance of the Code.</p>

	The Code of Conduct is reviewed annually by the Board whilst the Code of Ethics is reviewed as and when necessary by the Board to ensure it is kept contemporaneous. The Code are made available for reference on the Company's website at www.selangorproperties.com.my .	
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	:	<p>The Board, has formalised a set of Whistleblowing Policy and Procedures that is applicable to all stakeholders (such as employees, shareholders/customers/suppliers) of the Group to raise legitimate concerns relating to potential breaches of business conduct, non-compliance with legal and regulatory requirements as well as other malpractices.</p> <p>As outlined in the said Policy, employees are called upon to escalate bona fide concerns to immediate superiors to prepare reports to be submitted to the Executive Chairman and the Chairman of the Audit and Risk Management Committee (“ARMC”) who is an Independent Director of the Group for matters that are amongst others related to the following:-</p> <ul style="list-style-type: none">• Improprieties in matters of financial reporting;• Fraud;• Corruption, bribery and blackmail;• failure to comply with legal or regulatory obligations; and• Deliberately or accidentally steal, damage or mis-use data stored within the Group’s computer systems and throughout the organization; and Concealment of any or combination of the above. <p>The ARMC oversees the implementation of whistleblowing procedures. The ARMC has been tasked with the review of whistleblowing reports either made through the Company following established communication and feedback channels or through any other means.</p> <p>During the financial year 2018, the Company received a total of two (2) whistleblowing cases. These cases were investigated by Management and the outcome of the investigation were tabled to, and deliberated by, the ARMC. All the issues were addressed accordingly and/or found to be unsubstantiated.</p> <p>The ARMC emphasises good faith in reporting, protection from reprisal as well as confidentiality of the whistleblower’s identity.</p>

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

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>At present, the Board comprises five (5) Directors; the majority, four (4) of them, are Independent Non-Executive Directors out of which there is a Senior Independent Non-Executive Director.</p> <p>The profiles of the Directors are as set out in the Annual Report.</p> <p>The Board members who consist of persons of various professional skills and of various business and commercial experience, enables the Board to provide clear and effective leadership to the Group. The Board considers the number of board members adequate for its effectiveness and the Independent Non-Executive Directors fairly represent the interest of public shareholders. There is no individual Director or group of Directors who dominate the Board’s decision making.</p> <p>The Independent Non-Executive Directors are independent from Management and have no relationship that could materially interfere with the exercise of their independent judgement. The Directors have wide range of experience in business, corporate and financial experience.</p> <p>Independent Non-Executive Directors are free to meet without the presence of Management on a regular basis, to candidly share concerns about the Group and exchange views on potential improvements in governance.</p> <p>Independent Directors are also subjected to an objective and subjective “test of independence” conducted on an annual basis or as and when a disclosure is made by Directors of any new interest or relationship that may impede their ability to act independently and objectively.</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	:	
imeframe	:	

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Presently, two (2) Independent Non-Executive Directors on the Board, namely, Dato' Zaibedah Binti Ahmad and Mr. Ong Liang Win have served the Company for more than nine years since their initial appointments on 28 June 2001 and 2 November 2001 respectively.</p> <p>Independent Non-Executive Directors undergo an annual assessment exercise that effectively measures and monitors the Directors' continued objectivity and independence. The outcomes arising from the aforementioned assessment indicate that the length of tenure has had minimal interference with their ability to exercise independent judgement and in undertaking the duties expected of Independent Directors.</p> <p>Dato' Zaibedah Binti Ahmad has expressed her intention not to seek for re-appointment at the forthcoming Fifty-Seventh Annual General Meeting ("57th AGM") of the Company and will retain the office until the conclusion of the 57th AGM.</p> <p>Mr. Ong Liang Win has also verbally indicated his intention to resign as Independent Non-Executive Director of the Company after the conclusion of the 57th AGM. However, pending the completion of the Proposed SCR which may occur in May 2019, the Board is considering to retain Mr. Ong Liang Win as Director of the Company until the completion of the Proposed SCR. Should the need arises under such circumstance, Mr. Ong Liang Win will be re-designated as Non-Independent Non-Executive Director prior to the 57th AGM, subject to the Board's approval.</p>

	<p>Hence, the motion on Mr. Ong Liang Win's re-appointment as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance ("MCCG") will not be tabled to the shareholders for approval at the 57th AGM.</p>	
	<p>The Nominating Committee continuously assesses the suitability and eligibility of Independent Non-Executive Directors to be re-elected after they have served for more than nine (9) years. As part of this assessment, the Nominating Committee evaluates the actions and contribution of the said Independent Non-Executive Directors.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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	:	<p>The Board has adopted a Diversity Policy to set out the approach to diversity on the Board and the workforce of the Group. The Board, through its Nominating Committee, undertakes a periodic review of the Board composition so as to ascertain its continued effectiveness in addressing the needs of the Group. The Board is cognisant that a diverse leadership team, with varied perspectives and expertise cemented in its composition, can strengthen the strategy formulation process and ultimate line of defence for the Group.</p> <p>In recommending the election and/or appointment of Directors, the Nominating Committee considers the qualification, skills, expertise, character, experience, competency and integrity of potential candidates and balances these traits against the prevailing composition of the Board so as to ascertain their suitability. Additionally, the Nominating Committee considers the candidate's ability to devote time and commitment to effectively discharge the duties expected of a Director.</p> <p>During the financial year ended 31 October 2018, three (3) candidates were proposed to the Nominating Committee for directorship. The Nominating Committee met and upon deliberation, agreed to recommend to the Board the three (3) new candidates, based on the set of criteria mentioned above.</p> <p>At present, the Board comprises individuals with a cross section of skill sets, knowledge and experience (e.g. property development, accounting/finance/economics/business administration, auditing), cultural background (Malay/ Chinese/Caucasian) and age (range between 50 -79).</p> <p>The appointment of Senior Management is also based on a set of objective criteria with due consideration accorded to diversity in the various aspects. SPB has also put in human resource programmes which seeks to address the need for capable individuals at the Senior Management level, taking into account the different dimensions of diversity.</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 4.5

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	:	<p>The Board appreciates that a gender-diverse board will help to avert "blind spots" and mitigate "groupthink". The Board regards the incorporation of gender diversity in the boardroom as its long-standing aspiration.</p> <p>The Board has formalised a policy on diversity alongside target and measures. The Board of SPB is of the view that diversity on the Board enhances the decision-making capability of the Company and it improves board discussions process by allowing different perspectives to be included in decision making.</p> <p>The Board currently comprises two (2) female Directors, namely, Dato' Zaibedah Binti Ahmad and Madam Marcia Kok Suet Ling, representing 40% of the total Board members.</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 4.6

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The current process with regards to the appointment of new directors to the Board are decided by the members of the Board based on the recommendations of the Nominating Committee. Directors' network and referrals from major shareholders and incumbent Directors are the primary means to source for new directors as they represent a tried and tested method of sourcing high-calibre directors with a sound understanding of the business.</p> <p>The Directors appointment process is carried out based on methodical and robust process undertaken by the Nominating Committee. Candidates are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in paragraph 2.20A of MMLR of Bursa Securities.</p> <p>Moving forward, the Nomination Committee would seek to have access to a wider selection of candidates by utilising diversified sources such as directors' registry as well as industry and professional associations.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied															
Explanation on application of the practice	:	<p>The Nominating Committee is chaired by Dato' Zaibedah Binti Ahmad (Senior Independent Non-Executive Director) and comprises solely Independent Directors as follow:-</p> <table border="1"><thead><tr><th>No.</th><th>Directorship</th><th>Name</th></tr></thead><tbody><tr><td>1.</td><td>Chairman of Nominating Committee, Senior Independent Non-Executive Director</td><td>Dato' Zaibedah Binti Ahmad</td></tr><tr><td>2.</td><td>Independent Non-Executive Director</td><td>Ong Liang Win</td></tr><tr><td>3.</td><td>Independent Non-Executive Director</td><td>Marcia Kok Suet Ling</td></tr><tr><td>4.</td><td>Independent Non-Executive Director</td><td>Stephen John Scudamore</td></tr></tbody></table> <p>The Board acknowledges that the Nominating Committee is a key gatekeeper in the process of recruiting Directors, evaluating their performance and driving the continuous performance of the whole Board.</p> <p>In this regard, the Board believes that the Senior Independent Non-Executive Director, whom serves as a sounding board to the Chairman and acts as an intermediary for the Non-Executive Directors.</p> <p>In discharging her duties as the Chairman of the Nominating Committee, she undertakes to lead the succession planning and appointment of Board members, including the Executive Chairman and, as well as the annual review of Board effectiveness taking into account a broad range of perspectives.</p>	No.	Directorship	Name	1.	Chairman of Nominating Committee, Senior Independent Non-Executive Director	Dato' Zaibedah Binti Ahmad	2.	Independent Non-Executive Director	Ong Liang Win	3.	Independent Non-Executive Director	Marcia Kok Suet Ling	4.	Independent Non-Executive Director	Stephen John Scudamore
No.	Directorship	Name															
1.	Chairman of Nominating Committee, Senior Independent Non-Executive Director	Dato' Zaibedah Binti Ahmad															
2.	Independent Non-Executive Director	Ong Liang Win															
3.	Independent Non-Executive Director	Marcia Kok Suet Ling															
4.	Independent Non-Executive Director	Stephen John Scudamore															
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 Board has in place an annual formal performance assessment to assess the effectiveness of the Board, Board Committees as well as individual Directors including Independent Directors. The Board regards the evaluation exercise as a platform to surface any areas of concerns and bring about constructive changes.</p> <p>During the year under review, the performance assessment was conducted in-house under the purview of the Nominating Committee and facilitated by the Company Secretaries. Assessment instruments based on a self and peer assessment process, across a Likert-scale input rating mechanism was formulated.</p> <p>The assessment criteria for the Board, Board Committees and individual Directors are primarily anchored on regulatory enumerations and emerging best practices which amongst other take into the consideration the following key aspects:-</p> <ul style="list-style-type: none">• key responsibilities as noted in the Board Charter and legal and regulatory requirements;• Board mix and composition (including independence and skill sets);• culture and approach for risk governance;• agenda setting and meeting preparation;• Board dynamics and cohesiveness;• boardroom activities, i.e. Directors' involvement in providing input on matters relating to the Company's strategic or financial operations, as well as ability to critically challenge and ask the right questions;• commitment to serve the company with due diligence and integrity; and• technical knowledge on specific industry/company activities/processes. <p>Below is a summary of the activities undertaken by the Nominating Committee for the financial year ended 31 October 2018:-</p>

	<ul style="list-style-type: none"> • Reviewed and assessed the mix of skills and experience and size of the Board, contribution of each Director and effectiveness of the Board and Board Committees; • Reviewed and assessed the performance, and made recommendations to the Board for its approval, regarding the Directors who are seeking for election at the upcoming AGM; • Reviewed the succession plan for the Board members and the Senior Management; • Assessed the overall Board and the Board Committees' performance and effectiveness as a whole; • Reviewed and assessed the independence of Independent Directors and their tenure of service; • Assessed Directors' training needs to ensure all Directors receive appropriate continuous training programmes; • Reviewed and assessed the term of office and performance of the ARMC and each of its members; • Reviewed, assessed and considered the appointment of Madam Marcia Kok Suet Ling, Mr. Chan Guan Seng and Mr. Stephen John Scudamore as Independent Non-Executive Directors of the Company and recommended the same to Board for approval; and • Reviewed and discussed the re-composition of the Board Committees and recommended the same to Board for approval.
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company has yet to establish a formal policy on the remuneration of Senior Management. Nevertheless, the Company has in place a Remuneration Policy for Directors. This policy serves as guidelines for the Board in remunerating Directors with a view to attract, retain and motivate talented and high-calibre individuals. The Board has established a Remuneration Committee to assist the Board in its oversight function on matters pertaining to Directors' remuneration. The Remuneration Committee, which is chaired by an Independent Non-Executive Director, comprises a majority of Independent Non-Executive Directors.</p> <p>In determining the level and component parts of Directors' remuneration, the Remuneration Committee takes into consideration the demands, complexities and performance of the Group as well as the skills and experience that are required of Directors.</p> <p>The Remuneration Policy for Directors is available on the Company's website at www.selangorproperties.com.my.</p> <p>Although the Company has yet to have in place a written policy on the remuneration of Senior Management, the Company has put in place formal procedures to determine their remuneration.</p> <p>In determining the remuneration of the Senior Management, the Company's objective is to provide fair and competitive remuneration to its Senior Management in order for the Company to benefit by attracting and retaining a high quality team.</p>

	The Senior Management members who report to the Executive Chairman are evaluated annually by the Executive Chairman premised on annual measurements and targets set. Their remuneration levels are subject to the approval of the Executive Chairman.
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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 Board has established a Remuneration Committee which is chaired by Madam Marcia Kok Suet Ling (Independent Non-Executive Director) and comprises a majority of Independent Directors as follow:-</p> <table border="1"><thead><tr><th>No.</th><th>Directorship</th><th>Name</th></tr></thead><tbody><tr><td>1.</td><td>Chairman of Remuneration Committee, Independent Non-Executive Director</td><td>Marcia Kok Suet Ling</td></tr><tr><td>2.</td><td>Executive Chairman, Non-Independent Executive Director</td><td>Wen Chiu Chi</td></tr><tr><td>3.</td><td>Independent Non-Executive Director</td><td>Ong Liang Win</td></tr><tr><td>4.</td><td>Independent Non-Executive Director</td><td>Dato' Zaibedah Binti Ahmad</td></tr><tr><td>5.</td><td>Independent Non-Executive Director</td><td>Stephen John Scudamore</td></tr></tbody></table> <p>The Remuneration Committee assists the Board in overseeing remuneration matters concerning Directors.</p> <p>The key functions of the Remuneration Committee include the following:-</p> <ul style="list-style-type: none">• review the annual remuneration packages of each individual Director such that the levels of remuneration are sufficient to attract and retain them in helping the Company successfully; and• recommend to the Board the remuneration packages of the Directors (both Executive and Non-Executive) of the Company. In respect of Directors' fees and other benefits payable, shareholders' approval are sought at the AGM.	No.	Directorship	Name	1.	Chairman of Remuneration Committee, Independent Non-Executive Director	Marcia Kok Suet Ling	2.	Executive Chairman, Non-Independent Executive Director	Wen Chiu Chi	3.	Independent Non-Executive Director	Ong Liang Win	4.	Independent Non-Executive Director	Dato' Zaibedah Binti Ahmad	5.	Independent Non-Executive Director	Stephen John Scudamore
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	<p>The Directors who are shareholders of the Company should abstain from voting at general meetings when resolutions to approve the remuneration of Non-Executive Directors are being tabled.</p> <p>The Terms of Reference of Remuneration Committee is disclosed on the Company's website at www.selangorproperties.com.my.</p>	
Explanation for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure		
Timeframe		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied																																																																		
Explanation on application of the practice	:	<p>The details for the remuneration of the Directors for the financial year ended 31 October 2018 of the Company are set out in the financial statements and as follows:-</p> <p>The Group</p> <table border="1"><thead><tr><th>Director</th><th>Salary RM</th><th>Bonus RM</th><th>Fees RM</th><th>Meeting and Travelling Allowances RM</th><th>Total RM</th></tr></thead><tbody><tr><td>Wen Chiu Chi</td><td>2,872,019*</td><td>535,500</td><td>-</td><td>-</td><td>3,407,519</td></tr><tr><td>Dato' Zaibedah Binti Ahmad</td><td>-</td><td>-</td><td>67,000</td><td>23,600</td><td>90,600</td></tr><tr><td>Ong Liang Win</td><td>-</td><td>-</td><td>79,000</td><td>23,600</td><td>102,600</td></tr><tr><td>Marcia Kok Suet Ling</td><td>-</td><td>-</td><td>61,417</td><td>21,000</td><td>82,417</td></tr><tr><td>Stephen John Scudamore</td><td>-</td><td>-</td><td>120,667</td><td>-</td><td>120,667</td></tr><tr><td>TOTAL</td><td>2,872,019</td><td>535,500</td><td>328,084</td><td>68,200</td><td>3,803,803</td></tr></tbody></table> <p>*includes EPF RM600,739</p> <p>The Company</p> <table border="1"><thead><tr><th>Director</th><th>Salary RM</th><th>Bonus RM</th><th>Fees RM</th><th>Meeting and Travelling Allowances RM</th><th>Total RM</th></tr></thead><tbody><tr><td>Wen Chiu Chi</td><td>2,416,259*</td><td>535,500</td><td>-</td><td>-</td><td>2,951,759</td></tr><tr><td>Dato' Zaibedah Binti Ahmad</td><td>-</td><td>-</td><td>67,000</td><td>23,600</td><td>90,600</td></tr><tr><td>Ong Liang Win</td><td>-</td><td>-</td><td>79,000</td><td>23,600</td><td>102,600</td></tr></tbody></table>	Director	Salary RM	Bonus RM	Fees RM	Meeting and Travelling Allowances RM	Total RM	Wen Chiu Chi	2,872,019*	535,500	-	-	3,407,519	Dato' Zaibedah Binti Ahmad	-	-	67,000	23,600	90,600	Ong Liang Win	-	-	79,000	23,600	102,600	Marcia Kok Suet Ling	-	-	61,417	21,000	82,417	Stephen John Scudamore	-	-	120,667	-	120,667	TOTAL	2,872,019	535,500	328,084	68,200	3,803,803	Director	Salary RM	Bonus RM	Fees RM	Meeting and Travelling Allowances RM	Total RM	Wen Chiu Chi	2,416,259*	535,500	-	-	2,951,759	Dato' Zaibedah Binti Ahmad	-	-	67,000	23,600	90,600	Ong Liang Win	-	-	79,000	23,600	102,600
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	TOTAL	2,416,259	535,500	328,084	68,200	3,348,043
<p>*includes EPF RM600,739</p> <p>The disclosure is made on a Group level and listed issuer level, in accordance with paragraph 11, Part A, Appendix 9C of MMLR of Bursa Securities.</p>						
Explanation for departure	:					
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>						
Measure	:					
Timeframe	:					

Intended Outcome

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

Practice 7.2

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	:	<p>The Board has decided that the remuneration of Key Senior Management is not being disclosed on a named basis in order to allay valid concerns on invasion of staff confidentiality and that such disclosure may be detrimental to its business interest given the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the property development industry. In addition, the Company is of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the Company's Key Senior Management who are not directors of the Company.</p> <p>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully. Excessive remuneration payouts are not made to Senior Management personnel in any instance.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<p>The ARMC is chaired by Mr. Ong Liang Win (Senior Independent Non-Executive Director) and comprises solely of Independent Non-Executive Directors:-</p> <table border="1"><thead><tr><th>No.</th><th>Directorship</th><th>Name</th></tr></thead><tbody><tr><td>1.</td><td>Chairman of ARMC, Senior Independent Non-Executive Director</td><td>Ong Liang Win</td></tr><tr><td>2.</td><td>Independent Non-Executive Director</td><td>Dato' Zaibedah Binti Ahmad</td></tr><tr><td>3.</td><td>Independent Non-Executive Director</td><td>Marcia Kok Suet Ling</td></tr><tr><td>4.</td><td>Independent Non-Executive Director</td><td>Stephen John Scudamore</td></tr></tbody></table> <p>Mr. Ong Liang Win was appointed as Chairman of the then Audit Committee on 31 December 2001. He possesses significant experience in auditing, accounting, property development, construction and manufacturing. He holds an Honours degree in Accountancy from the Lancaster University in England, and is a qualified accountant with the Institute of Chartered Accountants in England and Wales ("ICAEW"). The possession of sound financial and business understanding places him in a good stead to lead deliberations at the ARMC.</p> <p>As the Chairman of the ARMC, he leads the Committee in providing oversight on financial reporting matters, internal audit and external audit, related party transactions and conflict of interest situations whilst ensuring the adequacy and effectiveness of risk management and internal control systems.</p>	No.	Directorship	Name	1.	Chairman of ARMC, Senior Independent Non-Executive Director	Ong Liang Win	2.	Independent Non-Executive Director	Dato' Zaibedah Binti Ahmad	3.	Independent Non-Executive Director	Marcia Kok Suet Ling	4.	Independent Non-Executive Director	Stephen John Scudamore
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Explanation for departure	:																
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																	

Measure :		
Timeframe :		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Terms of Reference of the ARMC 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 ARMC.</p> <p>This is to ensure that the independence of the audit process is safeguarded from the potential threats and conflicts which may arise when a former key audit partner joins the Company.</p> <p>To date, the Company has not appointed any former key audit partner as Director of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor.</p> <p>The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the ARMC has put in place an External Auditors Policy to review, assess and monitor the performance, suitability and independence of the external auditor as well as the basic principles on the prohibition of non-audit services and the approval process for the provision of non-audit services.</p> <p>During the year under review, the external auditors have provided a written assurance to the ARMC, confirming the independence of the external audit team throughout the conduct of the audit engagement with the Group, in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The ARMC had undertaken an annual assessment on the performance, suitability and independence of the external auditors based on the following areas:-</p> <ul style="list-style-type: none">• Calibre of the external auditors• Quality Processes and Performance• Audit Team• Independence and Objectivity• Audit Scope and Planning• Audit Fees• Audit Communications <p>Based on the assessment results, the ARMC was satisfied with the suitability of the external auditors.</p> <p>Based on the ARMC recommendation and having regard to the outcome of the annual assessment of external auditors, the Board had agreed that the re-appointment of Messrs. Ernst & Young as external auditors of the Company be recommended to the shareholders for approval at the forthcoming AGM.</p>

	<p>The audit firm, Messrs. Ernst & Young, would be serving as the Company's external auditor for more than 10 consecutive financial years with the re- appointment. Nevertheless, throughout the said tenure, the Company has worked with a different audit engagement team at every 5 years. The rotation of the Engagement Partners at every 5-year intervals (in accordance with MIA's guidelines) and team members allows the quality of the audit to be preserved with the requisite objectivity and professional skepticism.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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	:	Adopted															
Explanation on adoption of the practice	:	<p>The ARMC currently comprises four (4) members, all of whom are Independent Directors. The members of the ARMC are as follows:-</p> <table border="1"><thead><tr><th>No.</th><th>Directorship</th><th>Name</th></tr></thead><tbody><tr><td>1.</td><td>Chairman of ARMC, Senior Independent Non-Executive Director</td><td>Ong Liang Win</td></tr><tr><td>2.</td><td>Independent Non-Executive Director</td><td>Dato' Zaibedah Binti Ahmad</td></tr><tr><td>3.</td><td>Independent Non-Executive Director</td><td>Marcia Kok Suet Ling</td></tr><tr><td>4.</td><td>Independent Non-Executive Director</td><td>Stephen John Scudamore</td></tr></tbody></table> <p>The Board is cognisant that independence is the cornerstone of a well-functioning ARMC that can critically and impartially apply a probing view on pertinent matters. It is key to safeguarding the integrity of the Group's audit and financial reporting processes.</p> <p>The Board expects the ARMC members to uphold professional skepticism, vigilance and moral courage when discharging their duties.</p>	No.	Directorship	Name	1.	Chairman of ARMC, Senior Independent Non-Executive Director	Ong Liang Win	2.	Independent Non-Executive Director	Dato' Zaibedah Binti Ahmad	3.	Independent Non-Executive Director	Marcia Kok Suet Ling	4.	Independent Non-Executive Director	Stephen John Scudamore
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3.	Independent Non-Executive Director	Marcia Kok Suet Ling															
4.	Independent Non-Executive Director	Stephen John Scudamore															

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>All members of the ARMC are financially literate which allows them to have sound understanding of accounting and finance in order to perform the duties that have been entrusted to it by the Board. The Chairman of ARMC, Mr. Ong Liang Win is a qualified accountant with the Institute of Chartered Accountants in England and Wales ("ICAEW").</p> <p>Other members, Madam Marcia Kok Suet Ling and Mr. Stephen John Scudamore are also members of professional bodies. Madam Marcia Kok Suet Ling is a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). Mr. Stephen John Scudamore is a Fellow of the Institute of Chartered Accountants Australia and England & Wales and a Senior Fellow of the Financial Services Institute of Australia.</p> <p>As all three aforementioned members are qualified accountants, the Company has fulfilled the paragraph 15.09(1)(c) of the MMLR of Bursa Securities which calls for at least one member of the Audit Committee to be a member of MIA or equivalent.</p> <p>The other member, Dato' Zaibedah Binti Ahmad meanwhile, possess a Bachelor of Arts degree from the University of Malaya as well as relevant industry experience. Her expert opinion provides the ARMC with valuable input on the industry and operational drivers that are impacting the financial performance of the Company.</p> <p>In order to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules, the ARMC members have attended pertinent programme during the financial year. Please refer to Corporate Governance Overview Statement of Annual Report for the trainings attended during the year.</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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised an Enterprise Risk Management ("ERM") framework which primarily consists of procedures to identify, assess, evaluate, respond, report and monitor risks across the Group, covering operational, financial and compliance risks.</p> <p>The Board affirms its overall responsibility for the Group's ERM and internal control, and for reviewing the adequacy and operating effectiveness of the said framework. A Risk Management Committee is established at the Management level to operate the framework. The Risk Management Committee, chaired by Mr. Ong Liang Win, an Independent Non-Executive Director who is responsible for assessing and evaluating risks that may impede the Group from achieving its strategic and operational objectives, as well as developing action plans to mitigate such risks. The Risk Management Committee meets periodically to deliberate on the risks updates. The Independent Non-Executive Director, Senior Management and business division managers participate in these meetings. Reports from the Risk Management Committee are subsequently escalated to the ARMC and the Board for further deliberation.</p> <p>The key elements of the Group's systems of internal control are as follows:-</p> <ul style="list-style-type: none">• implementation of Code of Ethics and Conduct as well as Whistleblowing Policy and Procedures;• policies and procedures with clear description on limits of authority, responsibility and accountability across the Group; and• internal policies and procedures for key processes detailing the process for business planning, performance monitoring and reporting, whilst ensuring continuous quality control and improvement across the Group.
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 Annual Report contains a Statement of Risk Management and Internal Control. The said Statement provides a comprehensive overview of the key elements of the Group's risk management and internal control systems including assignment of authority and responsibility, planning, monitoring and reporting procedures and policies.</p> <p>The Statement of Risk Management and Internal Control also summaries the responsibilities held by the respective personnel at the Board and Management level in maintaining the risk management and internal control system.</p> <p>The Enterprise Risk Management Framework ("ERMF") is designed to provide consistency in the management of risks across the various business divisions of the Group. The ERMF is embedded into the corporate culture, processes and structures of the Group. It defines the standard conditions as well as minimum requirements for risk management of the Group and addresses the key areas of Risk Management and Internal Controls.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	<p>The ARMC, as delegated by the Board is responsible to monitor, oversee, review and evaluate the effectiveness and adequacy of the Group's risk management and internal control, financial management and reporting. This shall include ensuring the effectiveness and objectivity of the external auditors and internal auditors which report directly to the ARMC.</p> <p>The Company has outsourced its internal audit function to an independent professional firm, Deloitte Risk Advisory Sdn. Bhd. ("Deloitte"). The internal audit function has adequate resources and appropriate standing to undertake its work independently and objectively to provide reasonable assurance to the ARMC with regard to the adequacy and effectiveness of risk management, internal control and governance processes.</p> <p>The ARMC reviews and approves the Annual Internal Audit Plan. During the reporting year, the Annual Internal Audit Plan covers areas such as project management and information system with a view of addressing principal business risks inherent in the Group's key processes.</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 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 Company outsourced its internal audit function to an independent professional firm, Deloitte. The Engagement team is headed by Ms. Cheryl Khor, an Executive Director and Head of Risk Consulting of Deloitte. Ms. Cheryl Khor holds a Bachelor Degree in Advanced Mathematics and a professional qualification of The Malaysia Institute of Certified Public Accountant (“MICPA”). She is a member of both the MICPA and the Malaysian Institute of Accountants. She has accumulated over 20 years of experience in areas relating to audit, governance, risk and controls.</p> <p>There was a total of four personnel who were deployed by Deloitte for the internal audit work during the financial year ended 31 October 2018. All the personnel deployed by Deloitte were free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of the work.</p> <p>The internal audit work was carried out based on the Deloitte’s Internal Audit Methodology, which is closely aligned with the International Professional Practices Framework (“IPPF”) of the Institute of Internal Auditors, of which final communication of internal audit plan, processes and results of the internal audit assessment are supported by sufficient, reliable and relevant information which signify a satisfactory conclusion of the internal audit work.</p> <p>During the financial year ended 31 October 2018, the total internal audit cost incurred is approximately RM 664,633 excluding incidental costs.</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 Company has established its corporate disclosure policies and procedures which outline its commitment to ensure that all stakeholders including current and prospective shareholders have timely access to all publicly available information, and thus, allowing them to make decisions in an informed manner.</p> <p>As part of the ongoing efforts to foster an iterative relationship with its stakeholders, the Company endeavours to ensure that its corporate website contains all material information necessary to facilitate the stakeholders' decision-making process. Shareholders may on their own volition also register for alerts on Investor Relations from the Company through the website which will enable them to receive e-mails as and when there is a new corporate information posted on the website.</p> <p>The Board has designated dedicated sections for investor relations and corporate governance on the Company's website, whereby information such as the Company's announcements to the regulatory authorities, Board Charter and the Company's Annual Report may be accessed.</p> <p>The Company's investor relations activities are led by the Executive Chairman and Senior Management.</p> <p>The AGM also serves as a principal forum to communicate with shareholders. At the AGM, the Chief Operating Officer will provide a brief overview of the Group's annual operating and financial performance, followed by a Questions and Answer session during which the Executive Chairman encourages shareholders' active participation, including clarifying and questioning the Group's strategic direction, business operations, performance and proposed resolutions.</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	:	<p>Based on the definition of Large Companies (i.e. companies on the FTSE Bursa Malaysia Top 100 Index or those with a market capitalisation of RM 2 billion and above) by the MCCG, the Company is not a Large Company and is therefore not subjected to Practice 11.2. Notwithstanding the above, the Company intends to report on this Practice in order to benchmark against the prescribed best practice.</p> <p>The current Annual Report of the Company in its prevailing facade provides stakeholders with a detailed narrative of the Group's financial and non-financial information including its strategic and operational performance.</p> <p>Whilst certain characteristics of integrated reporting may be embodied in the Annual Report of the Company, it is on the whole not an integrated report based on the parameters set out by the International Integrated Reporting Council's ("IIRC") Integrated Reporting Framework.</p> <p>Recognising that integrating reporting is a journey, the Company at this juncture seeks to embellish its existing sustainability reporting by focusing on aspects such as stakeholder engagement, sustainability governance and materiality of issues.</p> <p>The Board believes that this will gradually position the Company towards the adoption of integrated reporting, which build upon the necessary processes and systems to support the development of an integrated report.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges that it is imperative to provide shareholders with sufficient time and information to consider the proposed resolutions so as to allow shareholders to make informed decisions when voting during AGM.</p> <p>The notice of AGM in year 2019 was disseminated more than twenty-eight (28) days prior to the meeting, which will be held on 26 April 2019. By applying Practice 12.1 of MCGG, the Company has exceeded the minimum notice period stipulated in Section 316(2) of Companies Act 2016 as well as paragraph 7.15 of MMLR of Bursa Securities.</p> <p>The Company's notice for the forthcoming AGM equips shareholders with the necessary information such as time, date and venue of the AGM, resolutions requiring shareholder approval as well as the voting procedures at the meeting. The notice was disseminated to shareholders electronically, and was also submitted as an announcement on Bursa Securities's website. The notice of AGM was also published in a nationally circulated newspaper.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Board acknowledges its responsibility to engage shareholders and provide meaningful responses to their questions. In demonstrating this commitment to shareholders, all Directors attended the 57 th AGM which was held on 28 February 2018. The Chairmen of respective Committees were present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Committees. The summary of key matters discussed during the previous AGM was made available on the Company's website in accordance with paragraph 9.21(2) (b) of the MMLR of Bursa Securities.	
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>As present, SPB has approximately 6,000 shareholders which relatively mirrors the shareholding base that a typical listed issuer would possess. The shareholding dispersion of SPB is not geographically fragmented on a relative scale.</p> <p>At present, SPB has yet to establish the necessary infrastructure that will enable voting in absentia and remote shareholder participation during general meetings.</p> <p>The Board will continue to monitor the developments in the market in respect of new technologies that facilitate the conduct of meetings remotely and may consider implementing the same should there be a strong case for change.</p> <p>In any event:-</p> <ol style="list-style-type: none">1. As disclosed under Practice 12.1, the notice of AGM is circulated to shareholders more than twenty-eight (28) days in advance of the AGM. This accords shareholders with adequate time to make the necessary arrangements to attend the AGM.2. During the last AGM, poll-voting was conducted via poll slips and the Company had appointed GovernAce Advisory & Solutions Sdn. Bhd. to serve as the scrutineers to validate the votes cast then.3. Shareholders who are unable to attend general meetings are allowed to vote via proxies. Shareholders can appoint any persons as their proxies who can participate, vote and speak in their capacity during general meetings.

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

Measure :		
Timeframe :		

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

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

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