

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 0212  
**COMPANY NAME** : SDS GROUP BERHAD  
**FINANCIAL YEAR** : March 31, 2020

### **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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the oversight and overall performance of the Group. The Executive Directors are responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies whilst the Independent Directors provides independent views, advices and judgement to enable a balanced and unbiased decision-making process in safeguarding shareholders' interest.</p> <p>The Board has also delegated specific responsibilities to the Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC"). Their terms of reference are available on the Company's website at <a href="http://www.sdsgrupos.com">www.sdsgrupos.com</a>.</p> <p>The Board retains full responsibility for the direction and control of the Company.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Our Chairman, Mr. Lim Pang Kiam is an Independent Non-Executive Director and manages the Board by focusing on strategy, governance and compliance. The Chairman leads the Board and is responsible for the effective performance of the Board. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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 Chief Executive Officer are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	<p>The positions of the Chairman and CEO are held by different individuals. Our Chairman, Mr. Lim Pang Kiam is an Independent Non-Executive Director and manages the Board by focusing on strategy, governance and compliance.</p> <p>The Managing Director, Mr. Tan Kim Seng manages the business and operations of the Company and implements the Board's decisions.</p> <p>The distinct and separate roles of the Chairman and Managing Director, with their clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

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

### Practice 1.4

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>(1) The Board is supported by two (2) suitably qualified and competent Company Secretaries who are members of the relevant professional bodies. Both are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.</p> <p>(2) The Company Secretaries provide advice and assist the Board and Committees in achieving good corporate governance by ensuring compliance to statutory laws, legislation, regulatory requirements, listing requirements and other relevant rules and regulations.</p> <p>(3) The Company Secretaries shall also maintain proper statutory records, register and documents for the Group which are essential to assist the Board to achieve, meet and discharge their fiduciary responsibilities in accordance with good corporate governance practice. In addition, the Company Secretaries are also responsible in ensuring proper conduct at the Annual General Meetings, Extraordinary General Meetings, Board Committees' Meeting and any other meetings and the preparation of minutes thereof.</p> <p>(4) All Board member have unrestricted access to the advice and services of the Company Secretaries in relation to the Board's affairs and the Group's business.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	(1) To facilitate the Directors' time planning, the annual meeting calendar is prepared and discussed in advance during Boards meeting. The calendar provides Directors with scheduled dates for Board meetings, Board Committees meetings and Annual General Meeting ("AGM"). (2) With the meeting dates fixed in advance, notices and meeting papers are distributed seven (7) days prior to the meetings. This ensures that Directors have full and timely access to information as well as sufficient time to review the information and then discuss and/or deliberate the decision making at the meeting. (3) The Management and other advisers engaged by the Group are invited to attend the meeting to report and/or provide additional information and/or clarification. (4) Information furnished to the Board on an on-going basis includes reports on the financial, business development and regulatory. (5) All Directors have full and unrestricted access to any information pertaining to the Group's affairs. Other information and/or report will also be supplied upon the specific request by the Board to enable them to discharge their duties and responsibilities. (6) All proceedings of Board meetings were minuted by the Company Secretary. The minutes would be distributed to all Directors on a timely manner and tabled for confirmation at the next meeting; and signed copies of the minutes were kept in the minutes book maintained by the Company Secretary.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter also sets out the respective roles and responsibilities of the Board, board committees, individual directors and Management; and issues and decisions reserved for the Board.</p> <p>The Board will periodically review the Board Charter and make any changes whenever necessary. The Board Charter is published on the Company's corporate website at <a href="http://www.sdsgroups.com">www.sdsgroups.com</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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>In discharging its responsibilities, the Board is also guided by a Code of Conduct for Directors in the Board Charter. The Code of Conduct provides guidance for Directors and every employee of the Group regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment. Directors are expected to conform and observe an appropriate decorum and behaviour that promote honesty and integrity when engage with both employees and stakeholders.</p> <p>The Board Charter is available for reference on the Group's website at <a href="http://www.sdsgroups.com">www.sdsgroups.com</a></p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has put in place an avenue for employees and stakeholders to report genuine concerns about unethical behaviour, malpractices and illegal acts on failure to comply with regulatory requirements without fear of reprisal. All cases shall be independently investigated and appropriate actions taken where required.</p> <p>The Whistle-Blowing Policy is available for reference on the Group's website at <a href="http://www.sdsgroups.com">www.sdsgroups.com</a></p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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	:	During the financial year under review, the Board consists of eight (8) members and comprising four (4) Executive Directors and four (4) Independent Non-Executive Directors.	
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 4.2**

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.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The tenure of an Independent Director, unless approved by the shareholders for such further period, shall not exceed a cumulative term of nine (9) years.</p> <p>Prior to attaining the stipulated number of years, the Nominating Committee will consider the following and recommend to the Board accordingly:</p> <ul style="list-style-type: none"><li>(a) whether the Independent Director to continue to serve on the Board subject to his re-designation as a Non-Independent Director; or</li><li>(b) whether to seek shareholders' approval in order to retain him as an Independent Director.</li></ul>

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group is an equal opportunity employer and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.</p> <p>The current Board composition reflects a balance of Executive and Independent Non-Executive Directors with a mix of qualified and experienced professionals in the field of manufacturing, banking and finance, accountancy, legal and corporate finance. The combination of different professions and skills will enable an effective deliberation among Board members with objective assessment and insights.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supportive of gender diversity on the Board and one (1) out of the eight (8) Directors is a female, which testifies to the Group's commitment on gender diversity.</p> <p>Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the collective opinion that there is no necessity to adopt a formal gender diversity policy presently as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.</p> <p>The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board as a whole is responsible for recommending suitable candidates for Directorships to the Board. In evaluating potential candidates, the Board through the NC will assess directorship suitability based on objective criteria, including:</p> <ul style="list-style-type: none"><li>• Qualification;</li><li>• Required competencies, skills, expertise and experience;</li><li>• Specialist knowledge or technical skills;</li><li>• Professionalism and integrity; and</li><li>• Time commitment to the Company</li></ul> <p>In searching for suitable candidates, the Board may receive suggestions from existing Board Members, Management, and major shareholders. The Board is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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 current composition of Nominating Committee comprises of three (3) members, all of whom are Independent Non-Executive Directors. The Nominating Committee is chaired by Mr Lim Pang Kiam, our Independent Non-Executive Chairman.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



### Intended Outcome

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

### Practice 5.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board conducts an annual assessment which involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered through the Nominating Committee for the financial year ended 31 March 2020.</p> <p>The following key aspects were considered in the assessment:</p> <ul style="list-style-type: none"><li>(a) appropriate size, composition, independence, mix of skills and experience within the Board and the Board Committees;</li><li>(b) clear definition of the Board and Board Committees' roles and responsibilities;</li><li>(c) the functions of the Board and Board Committees;</li><li>(d) open communication of information and active participation within Board and Board Committees; and</li><li>(e) proper discharge of responsibilities and leadership by the Chairman of the Board and Board Committees.</li></ul> <p>All assessments and evaluations carried out will be documented and minuted by the Company Secretary. The results of all assessment and comments by Directors are summarised and deliberated at the Nominating Committee meeting and thereafter reported to the Board for deliberation.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

The 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The remuneration of Directors is determined at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively.</p> <p>The executive Board members played no part in deciding their own remuneration and the respective Board members have abstained from all discussion pertaining to their remuneration.</p> <p>In the case of the executive Board members, the components of their remuneration package are linked to individual and corporate performance.</p> <p>As for Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities and the onerous challenges in discharging their fiduciary duties.</p> <p>The Directors' fees reflect the broad-based role and responsibilities as well as time commitment to the Group that go with Board membership.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The primary function of the Remuneration Committee is to review the remuneration and recommend to the Board the remuneration packages of all the Directors according to the skills, level of responsibilities, experience and performance of the Directors.</p> <p>Individual Director is not allowed to participate in discussion of his/her own remuneration. The Board will recommend the Directors' fees and other benefits payable to Directors are to be approved by shareholders at the AGM.</p> <p>The terms of reference of Remuneration Committee are available for reference at the Company's website at <a href="http://www.sdsgroups.com">www.sdsgroups.com</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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 total remuneration of the Directors on a named basis whose remuneration falls into each successive bands of RM50,000 are set out below:																																															
		<table><tr><th>COMPANY</th><th>RM50,001 To RM60,000</th><th>RM45,001 To RM50,000</th><th>RM40,001 To RM45,000</th></tr><tr><td colspan="4">Executive Directors (*):</td></tr><tr><td>Tan Kim Seng</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Tan Kim Chai</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Tan Yon Haw</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Tan Kee Jin</td><td>-</td><td>-</td><td>-</td></tr><tr><td colspan="4">Non-Executive Directors (#):</td></tr><tr><td>Lim Pang Kiam</td><td>✓</td><td>-</td><td>-</td></tr><tr><td>Phang Sze Fui</td><td>-</td><td>-</td><td>✓</td></tr><tr><td>Azahar bin Baharudin</td><td>-</td><td>-</td><td>✓</td></tr><tr><td>Dato' Albert Ding Choo Earn</td><td>-</td><td>-</td><td>✓</td></tr></table>				COMPANY	RM50,001 To RM60,000	RM45,001 To RM50,000	RM40,001 To RM45,000	Executive Directors (*):				Tan Kim Seng	-	-	-	Tan Kim Chai	-	-	-	Tan Yon Haw	-	-	-	Tan Kee Jin	-	-	-	Non-Executive Directors (#):				Lim Pang Kiam	✓	-	-	Phang Sze Fui	-	-	✓	Azahar bin Baharudin	-	-	✓	Dato' Albert Ding Choo Earn	-	-	✓
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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 is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Group given the competitive human resources environment as such disclosure may give rise to talent recruitment and retention issue. Also premised on the confidentiality of the remuneration package of our Senior Management, the Board has adopted a disclosure of our Senior Management remuneration in bands of RM50,000 on an unnamed basis.	
		The aggregate remuneration paid to the Senior Management of the Group during the financial year analysed into bands of RM50,000 are as follows:	
		Remuneration Value	Number of Senior Management
		RM100,001 - RM150,000	2
		RM150,001 - RM200,000	-
		RM201,000 - RM250,000	1
RM251,000 - RM350,000	1		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The AC is chaired by Mdm Phang Sze Fui, our Independent Non-Executive Director.  The Chairman of our Board is Mr Lim Pang Kiam. Therefore, the two positions are held by two different Independent Non-Executive Directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	None of the members of the Audit Committee were former key audit partners.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee assesses the suitability and independence of the external auditors on an annual basis. Areas of assessment including amongst others, the external auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted with the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditor.</p> <p>The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year ended 31 March 2020. To this, the Board approved the AC's recommendation for the shareholders' approval to be sought at the AGM on the reappointment of Messrs Crowe Malaysia PLT as the External Auditors of the Company for the financial year ending 31 March 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee comprises all Independent Non-Executive Directors.

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	(1) The Chairman and members of the Audit Committee ("AC") possess a wide range of necessary skills to discharge its duties and are financially literate and are able to understand matters under the purview of the AC, as well as the financial reporting process. (2) Ms Phang Sze Fui, the Chairperson of our AC, is a Chartered Accountant and member of Malaysian Institute of Accountants and Institute of Bankers Malaysia. He has vast experience in the field of banking, financial and management accounting, financial analysis, corporate affairs, budgeting and cashflow forecasting and tax planning. (3) The qualification and experience of the individual members are disclosed in the Annual Report 2020. (4) The AC has also sought the external auditor to updates the developments in accounting and governance standards during AC meetings. (5) During AC meetings, the Committee will review the unaudited quarterly result and audited financial statements with the Senior Management with the presence of the external auditor before recommending them for approval by the Board and issuance to stakeholders. (6) The list of trainings/seminars/conferences attended by the members of AC has been disclosed in the Annual Report 2020.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets.</p> <p>As an effort to enhance the system of internal controls, the Board through the Risk Management Committee and with the assistance of external professional Internal Audit firm adopted an Enterprise Risk Management Policy to monitor and review the existing of risk management process. As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given to the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has disclosed the features of its risk management and internal control framework, the adequacy and the effectiveness of this framework are set out in the Statement on Risk Management and Internal Control (“SORMIC”) in the Annual Report 2020.</p> <p>The SORMIC which has been reviewed by the external auditor provides an overview of the state of risk management and internal control within the Group governed by the Frameworks.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Risk Management Committee ("RMC") comprises of a majority of Independent Directors.</p> <p>The primary responsibility and purpose of the RMC is to assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis. The RMC reports to the Board regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group.</p>

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group's Internal Audit function is outsourced to Sterling Business Alignment Consulting Sdn Bhd, a professional services firm which reviews and evaluates the adequacy and effectiveness of the Group's risk management and internal control system and reports directly to the Audit Committee. The Internal Auditors conducted independent audit within the Group and reported their findings to the Audit Committee during its quarterly meetings.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit Function is outsourced to an independent professional Internal Audit Firm namely, Sterling Business Alignment Consulting Sdn. Bhd. (Sterling).</p> <p>Sterling is a corporate member of the Institute of Internal Auditors Malaysia (IIAM). The internal audit teams from Sterling are leaded by managerial heads who are members of IIAM. Sterling has a sufficient number of audit staff deployed for the internal audit reviews during the financial year under review.</p> <p>The Internal Audit firm appointed by the Company is free from any relationship or conflict of interest of activities related to business operations. The internal auditors use the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Internal Control Framework set by relevant professional bodies, namely the Institute of Internal Auditors, as a basis for evaluating the effectiveness of the internal control system.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to provide effective, transparent and regular communication with its shareholders and other stakeholders regarding the business, operations and financial performance of the Group to enable them to make informed decisions.</p> <p>The communication channels used in the Company's engagement with its stakeholders include:</p> <p>a) The Company's website at <a href="http://www.sdsgroups.com">www.sdsgroups.com</a>  b) Announcements via Bursa Link;  c) Annual Reports; and  d) General Meetings</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Group is not categorised as "Large Company" under the Malaysian Code of Corporate Governance and hence, the Company has not adopted the integrated reporting based on globally recognised framework.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Notice convening the forthcoming 3rd AGM of the Company which is scheduled to be held on 28 August 2020 was sent to the shareholders on 30 July 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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>The Annual General Meetings (“AGM”) is the principal forum for dialogue with shareholders, who are given the opportunity to enquire and seek clarification on the operations and financial performance of the Group. The AGM provides an opportunity for shareholders to raise questions with the Board and Senior Management team, both formal and informal sessions.</p> <p>As the Company was only listed on 7 October 2019, the upcoming AGM will be the Company’s first AGM as a public listed company. All Directors as well as the Chairman of the respective Board Committees will be present at the forthcoming AGM of the Group to enable the shareholders to raise questions and concerns directly to those responsible.</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

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	:	Applied	
Explanation on application of the practice	:	(1) The Board is of the view that the Group does not have a large number of shareholders to warrant the voting in absentia and the venue of the AGM is located within city area which is easily accessible. (2) In view that the Company does not have large number of shareholders, it does not intend to have meetings in remote locations in the future. (3) Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting. (4) The Company may consider exploring a suitable and reliable system to facilitate voting in absentia and remote participation by shareholders' in future.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		