

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0140
COMPANY NAME : STERLING PROGRESS BERHAD
FINANCIAL YEAR : June 30, 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 PERSUANT 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 Group is led by an experience and effective Board. All Board members carry an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.</p> <p>The Board is responsible for the stewardship of the business and affairs of the Group and collectively responsible for delivery of sustainable value to its shareholders. In discharging its fiduciary duties and leadership functions, the Board has governed and set the strategic direction of the Group while exercising oversight on management. The Board ensured that it had set the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Group.</p> <p>During the financial period ended 30 June 2018, the Board has discharged its fiduciary duties, leadership functions and responsibilities has, among others,</p> <ul style="list-style-type: none">- reviewed, challenged and decided on management's proposal for the Group and monitor its implementation by key senior management;- monitored and regular reviewed the strategic direction of the Group and the progress of the Group's operations, taking into changes in the business and political environment, risk factors such as level of competition and to determine the business being properly managed and supports long term value creation;- ensured there is a sound framework for internal controls and risk management;- ensured that key senior management has the necessary skills and experience and measures in place to ensure orderly succession planning within the Group.- ensured the integrity of the financial and non-financial reporting of the Group;- ensured that the Company's financial statements are true and fair and

	conform to the relevant standards, rules and regulations.	
	Kindly refer to the Corporate Governance Overview Statement in the Annual Report 2018 for further details on Board leadership.	
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 1.2

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 Chairman of the Board had :</p> <ul style="list-style-type: none"> - provided overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions; - Chaired meetings of the Board in such a manner that will stimulate debate on the issues before the Board and encourage the most effective contribution from each Director. The Independent Non-Executive Chairman should ensure that the agenda and all necessary background paper are given to Directors in sufficient time to able the papers to be adequately considered before the meeting; - reviewed the minutes of meetings of the Board before meeting, to ensure they accurately reflect the Board's deliberations, and matters arising from the minutes and on which further action is required have been addressed; - monitored Board performance as a whole; - ensured membership of the Board is appropriately skilled to meet the needs of the Company; - assisted in Board discussions to address the key issues facing the Company; - initiated the establishment of Board Committees and ensuring that they achieve their objectives; - guided and promoted the ongoing efficacy and development of the Board and its individual Directors; - fastened high corporate governance
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 1.3

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

Application	:	Applied
Explanation on application of the practice	:	The positions of the Chairman and Chief Executive Officer are held by two different individuals. The Chairman is responsible for the achievement of the Group's strategic vision and also for leading the Board in its collective oversight of management while the Chief Executive Officer focuses on the business and day-to-day management of the Group and the implementation of the Board's decisions. The distinct and separate roles of the Chairman and Chief Executive Officer; with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making and are clearly defined in the Board Charter.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by two Company Secretaries, who are members of professional bodies and qualified to act as company secretaries.</p> <p>The Company Secretaries are responsible for proper maintenance of secretarial records, preparation of resolutions and other secretarial functions of the Company. The Company Secretaries attend all Board, Board Committees and General meetings of the Company and records the minutes of the meetings.</p> <p>In addition, the Company Secretaries regularly updated the Board on the changes of the listing requirements upon receiving the circulars from Bursa Securities, which are relevant to the Company and advise on corporate disclosures and compliances.</p> <p>During the financial period ended 30 June 2018, the Company Secretaries had attended various seminars and conferences to keep themselves abreast with the regulatory changes and other areas of sustainability, governance, finance and accounting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	The Board meeting materials are circulated to Directors at least one week prior to each Board meeting to enable Board members to facilitate informed and timely decision making. All Board members reviewed and confirmed the minutes of the meetings to ensure they accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberate on a particular matter.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by the Board Charter, which set out amongst the responsibilities, authorities, procedures, evaluation and structures of the Board and Board Committees as well as the relationship between the Board with its management and shareholders.</p> <p>This is ensure that all Board members are aware of the fiduciary duties and responsibilities, various legislations and regulations affecting their conduct, the need for safeguarding the interests of the shareholders, and other stakeholders, and that highest standards of corporate governance are applied all their dealings in respect and on behalf of the Company.</p> <p>The Board Charter was reviewed on 17 October 2018 and updated on the company website at www.spberhad.com. Notwithstanding that the Board Charter is subject to periodic review to ensure their relevance and compliance.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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	:	The Directors are expected to conduct themselves with the highest ethical standards by setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Group. All Directors and employees are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Group. The Company has adopted the Code of conduct and ethics, which can be viewed on the Company's website: www.spberhad.com .
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 Company's Whistleblowing Policy encourages its employee to raise genuine concerns about positive improprieties in matters of compliance, suspected violations of the Code of Conduct and Ethics and to disclose any improper conduct or other malpractices within Sterling Progress Group.</p> <p>The Policy is to provide communication channels for employee of the Group and agents, suppliers, consumers and related third party to raise concerns about the improper conduct within the Group and to offer protection for such persons (including the employees of the Group) who can report such allegations in person to its Human Resource Manager ("HRM") and Chief Executive Officer ("CEO") or in writing to CEO and Independent Non-Executive Chairman. The Whistleblowing Policy is published on the Company's website: www.spberhad.com.</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	:	The Board comprises three (3) Executive Directors and three (3) Independent Non-Executive Directors This represented 50% of the board members are independent.	
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 4.2

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

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Applicable
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 Group is an equal opportunity employer and all appointment to the Board and employment all employees are based on objective criteria, merit, experience and credibility on a continuing basis and, may not limited to gender, age, ethnicity and cultural background.</p> <p>The Nominating Committee is responsible to assess the suitability of new candidate before appointment as director or senior management of and table its recommendation to the Board. The Board will then consider the recommendation of the Nominating Committee and makes the final decision as to the appointment of director. The Company Secretary then ensures the relevant procedures relating to the appointment of the new director are properly executed.</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 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board views that the workplace and Board diversity is important to facilitate the decision making process by harnessing different insights and perspectives.
		Currently, there are no female Directors on the Board. When the need arises, the Board would give more weightage in the appointment of female Directors to the Board and key senior management. However, the Board would want to avoid the pitfall of tokenism which is not in the best interest of the Group.
<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	:	Applied
Explanation on application of the practice	:	<p>Selection of candidate to be considered to appointment as Directors is facilitated through recommendations from the Chief Executive Officer and within the bound of practicability, Directors, by the shareholder or external parties. The Nominating Committee meets with the shortlisted candidate to assess his/her suitability before formally considering and recommending them for appointment to the Board and where applicable, to the Committee.</p> <p>During the financial period ended 30 June 2018, Ng Chee Heng was appointed to the Board as Executive Director on 22 February 2018 and whereby Chong Ching Wai was appointed on 22 February 2018 as Independent Non-Executive Director and Lim Peng Tong was appointed on 29 January 2018 as Independent Non-Executive Director.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee is chaired by Mr. Lionel Vernon Yong Nguon Kee, an Independent Non-Executive Director. The profile of Mr. Lionel is presented in the Directors' Profile in this Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Nominating Committee had assessed each individual director, the Board and Board Committee as a whole and the Audit & Risk Management Committee for their performance and the effectiveness in respect of financial period ended 30 June 2018. The assessment of individual Directors was through the Director Evaluation Form under the criteria of integrity and ethics, governance, strategic perspective, adding value, judgment and decision-making, teamwork, communication and commitment. The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. The respective Director has abstained from evaluating their own performance. The Nominating Committee rated the Board performance evaluation based on the consensus amongst the Nominating Committee.
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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee ("RC") has been entrusted by the Board to determine that the level of remuneration is sufficient to attract and retain Directors of quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted, with the Directors concerned abstaining from discussions on their individual remuneration.</p> <p>The RC carried out an annual review of the Directors' remunerations packages with regards to each Director's role, responsibilities, and expertise, taking into consideration of the Company's business performance of the Group whereupon recommendations are submitted to the Board for approval. Such annual reviews shall ensure that the remuneration package of the Directors remains sufficiently attractive to attract and retain Directors of such caliber to provide the necessary skills and experience to drive the Group's long term objectives</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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Intended Outcome

The 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 had established a RC with defined terms of reference and in particular, the duties relating to review and recommend to the Board the remuneration of the directors and senior management according to the Remuneration Policy.</p> <p>The composition of the RC is in compliance with the MCCG, with all its members being independent non executives directors.</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	:	The details disclosure of the Directors' remuneration breakdown of individual directors includes fees, salary, bonus, benefits in kind and other emoluments are disclosed in the Corporate Governance Overview Statement of the 2018 Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to 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 it is not to the best business interest of the Company for full disclosure of remuneration of the Key Senior Management considering the highly competitive human resources environment may give rise to talent retention issues. Also to uphold sensitivity issues.
<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	:	The Chairman of the Audit & Risk Management Committee ("AC") is Mr. Lionel Vernon Yong Nguon Kee, an Independent Non-Executive Director, while the Chairman of the Board is Mr. Lim Peng Tong, also an Independent Non-Executive Director.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The AC has adopted a policy which is included in its latest Terms of Reference that requires a former key audit partner, to observe a cooling period of at least two (2) years before being appointed as a member of the AC.	
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 AC conduct an annual assessment to consider the suitability, objectivity, and independence of the audit firm based on the followings:</p> <ul style="list-style-type: none">(i) Independence, objectivity and professional skepticism.(ii) Communication and interaction.(iii) Quality of skills, capabilities of audit team and sufficiency of resources. <p>Based on the results of the evaluation, the AC is satisfied with the performance of the external auditors and thus, recommended to the Board the re-appointment of the external auditors at the forthcoming AGM in November 2018.</p> <p>Messrs. UHY has in their report on audit planning memorandum provide written assurance that they are independent throughout the conduct the audit engagement in accordance with the relevant professional and regulatory requirements</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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises solely of Independent 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The member of the AC collectively are financially literate and have the necessary silks and experience and able to understand Company's business and matter under the purview of the AC including the financial reporting process. They have continuously applied a critical and probing view on the Company's financial reporting process, transactions and other financial information, and effectively challenged management's assertions on the Company's financials to ensure the Quarterly Report and the Annual Audited Financial Statements give a true and fair view of the Company's financial position.</p> <p>The Nominating Committee had assessed the term of office and performance of the AC and its members in accordance with Paragraph 15.20 of the ACE Listing Requirements of Bursa Securities by way of a set of comprehensive questionnaires. The questionnaires cover amongst others the understanding of role and terms of reference, financial literacy, integrity, independency, time commitment and so forth.</p> <p>The Nominating Committee was satisfied that the AC and its members had discharged their duties according to their terms of reference and had recommended to the Board that the existing composition to remain status quo.</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 AC with the assistance of the internal auditors review the adequacy of the Group's risk management framework to ensure risk management and internal controls are in place.</p> <p>During the financial period, the Group had adopted a risk management framework to enhance its risk management capabilities. Key risks, control measures and management actions are continually identified, reviewed and monitored as part of the risk management framework.</p> <p>The AC reports to the Board on the Group's risk profile including actions undertaken by the management to manage or mitigate the risks identified.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	An Enterprise Risk Management Framework has been established to provide the overall guidelines and approach to the Group's risk management. The AC is working closely with all departments to ensure the identification of emerging risks resulting from changing business environment and/or initiatives being implemented as well as evaluation of the effectiveness of controls and risk management plans. Further details on the features of the risk management and internal control framework are disclosed in the Statement of Risk Management and Internal Control of the Annual Report 2018.
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 establishment of the Internal Audit Function provides the Directors and the AC with an independent assessment and appraisal/review of the effectiveness and reliability of the Group's internal controls and information system.</p> <p>The internal audit function includes the review, assessment and provision of reasonable assurance that the Group's internal controls are functioning as planned and able to highlight all material deviation or findings to the AC immediately. To maintain impartiality and independence, the internal auditors report directly to the AC on the overall assessment of the Group's internal control mechanism.</p> <p>Internal Audit reports were issued to the AC and tabled at the AC meetings. The reports were also provided to the respective operations management, incorporating audit recommendations and Management response with regards to any audit findings on the weaknesses in the systems and controls of the operations. The internal auditors have to follow up with Management on the implementation of the agreed audit recommendations.</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 Group outsourced its internal audit function to an independent professional internal audit service provider. The role of the internal audit function, which reports directly to the AC, is to support the AC by providing it with independent and objective reports on the adequacy and effectiveness of the system of the internal control and the extent of compliance with the procedures and by recommending ways to rectify shortfall and improve the existing control environment in relation to the Group’s operations. It submits its findings and recommendations to the AC and key senior management of the Group.</p> <p>The Internal Audit adopts a COSO Framework and risk-based approach with focus on effective risk management practices and is guided under the International Professional Practice Framework.</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 Board recognizes the important of effective communication with its investors and shareholders as a key component to uphold the principles and best practices of corporate governance for the Group. As such, the need to establish corporate disclosure policies and procedures between the Company and the regulators, shareholders and stakeholders is important to build the trust and understanding between the Company and the stakeholders.</p> <p>On this basis, the Board exercises close monitoring of all price sensitive information potentially required to be released to Bursa Malaysia and makes material announcements to Bursa Malaysia in a timely manner as requested. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa, the media and the Company's website.</p> <p>The Board has authorized the Finance Director to co-ordinate with the Company Secretary to verify and approve all announcements before releasing to the public.</p> <p>The following communication channels are mainly used by the Company to disseminate information on a timely basis to the shareholders and the investing public:</p> <ul style="list-style-type: none">(a) Group's corporate proposals, quarterly and annual financial results and other required announcements are available on websites: www.spberhad.com and www.bursamalaysia.com.my(b) Press release provide up-to-date information on the Group's key corporate initiatives and investments if any;(c) Annual General Meeting ("AGM") provides a forum to engage with Directors and key senior management to share viewpoints and acquire information on issues relevant to the Group.

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	:	Not Applicable	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Company is serving all shareholders a notice of at least 28 days prior to the date of 13 th AGM in order to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM.	
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	:	All Directors attended the 12th Annual General Meeting of the company held on 29 August 2017. Shareholders are provided with ample time during the Question & Answer session and the Chairman of the Board, Chairman of Board Committees and other Directors had provided meaningful responses to shareholders' questions during the Annual General Meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Company does not have meetings at remote locations nor does it have a large number of shareholders for it to leverage on technology to facilitate shareholders voting in absentia or having remote shareholders' participation in General Meetings.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
PERSUANT 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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