

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 9113  
**COMPANY NAME** : Sanbumi Holdings Berhad  
**FINANCIAL YEAR** : March 31, 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Sanbumi Holdings Berhad ("Sanbumi" or "the Company") is responsible for the oversight and overall management of the Company. In accordance with the corporate governance framework established for a public listed company, the Board had delegated specific powers to the various Board Committees and to the management. The Board Committees comprises the Audit Committee, the Nomination Committee and the Remuneration Committee.</p> <ul style="list-style-type: none"><li>i. The Board meets regularly and ad hoc meetings are held as and when required to set various policies, strategic directions and corporate governance as well as engaging with the management for performance monitoring and evaluation of operational matters requiring Board input and decision.</li><li>ii. The Board reviewed and assessed the Annual Business Plan presented by the management and monitored the performance via the quarterly financial reports.</li><li>iii. The Board met and discussed with the External Auditors as well as the Internal Auditors to ascertain and ensure governance compliance.</li><li>iv. During 2017, the Board conducted a robust review of all its internal documents including the Board Charter, the Terms of Reference of the various Board Committees as well as its Statement on Risk Management and Internal Control to ensure that they are in line with the Malaysian Code on Corporate Governance. These documents serve as a reference and guide to the directors in the discharge of their duties and responsibilities.</li></ul>
<b>Explanation for departure</b>	:	Not Applicable.

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

### 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>	:	<p>Dato' Ir Zainurin bin Karman is the Chairman of the Board. His profile is detailed in page 8 of Sanbumi's Annual Report 2018.</p> <p>The Chairman is responsible for the overall leadership and effective functioning of the Board. His key roles amongst others are:</p> <ul style="list-style-type: none"><li>i. To ensure that the Board functions effectively and independently of the management;</li><li>ii. Leading the Board in establishing and monitoring good corporate governance practices within the entire Sanbumi Group; and</li><li>iii. Ensuring that there are effective communication between the Company and all its shareholders including the various stakeholders.</li></ul> <p>His detailed roles and responsibilities are further described in the Company's Board Charter.</p>
<b>Explanation for departure</b>	:	Not Applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Board is Dato' Ir Zainurin bin Karman and the Group Managing Director is Dato' Chua Tiong Moon.  Both roles are distinct and clearly defined in the Board Charter.	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

## 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>One Company Secretary is an Associate of the Malaysian Institute of Chartered Secretaries and Administrators while the other is licensed by the Companies Commission of Malaysia.</p> <p>The Company Secretaries play important roles in advising the Board on governance and regulatory matters. The Company Secretaries carry out the following tasks:</p> <ul style="list-style-type: none"><li>• Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting ("AGM"), Extraordinary General Meeting ("EGM") and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;</li><li>• Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc. and all relevant announcements are announced to Bursa Malaysia on a timely basis;</li><li>• Ensure that deliberations at the meetings are well captured and minuted, and subsequently communicated to the relevant management personnel for necessary actions;</li><li>• Ensure that the Company complies with the Main Market Listing Requirements and the requirements of the relevant authorities;</li><li>• Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;</li><li>• Keep the Directors and principal officers informed of the closed period for trading in the Company's shares; and</li><li>• Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.</li></ul>
<b>Explanation for departure</b>	:	Not Applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.

<b>Timeframe</b>	:	Not Applicable.	
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**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>	:	All Directors are provided with an agenda and a set of board papers issued at least 5 business days from the date of Board Meetings so as to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary. The minutes of meetings will be circulated within one (1) month to the directors.	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	



### 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>	:	The Board has formally established a Board Charter that clearly sets out the roles and responsibilities, composition and processes related to key governance activities. The Board will periodically review the Board Charter which is published on the corporate website: <a href="http://www.sanbumi.com.my">www.sanbumi.com.my</a> . The Board last reviewed the Board Charter on 23 February 2018.
<b>Explanation for departure</b>	:	Not Applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors and employees of the Sanbumi Group are expected to behave ethically and professionally at all times to protect and promote the reputation and performance of the Group.  The Code of Conduct and Ethics was adopted by the Board on 2 July 2018 and is made available for reference on the Company's website at <a href="http://www.sanbumi.com.my">www.sanbumi.com.my</a> .	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

### 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>	:	The Group has established a Whistleblowing Policy underlining its objectives, scope of policy, Policy Statement, reporting procedures and action in the Board Charter which is published on the corporate website, <a href="http://www.sanbumi.com.my">www.sanbumi.com.my</a> .	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	A majority of the Board comprises Independent Non-Executive Directors. Currently, there are 6 directors in the Board, out which 4 are independent directors.  These Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

### 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>	:	Applied - Two Tier Voting	
<b>Explanation on application of the practice</b>	:	The Board has recommended for re-appointment 2 Independent Directors, namely Datuk Wira Rahadian and Dato' Ir Zainurin, whose tenure exceed 12 years each via a 2-tier voting process at the coming AGM to be held on 7 September 2018.	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

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

### 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>In the best interest of the Company, the Board recognises that a Board composition comprising a mix of skills, competence and diverse background will bring different and added value dimensions to decision making.</p> <p>In this regard, the Nomination Committee has been tasked to assess and recommend to the Board, new Board appointments as well as the appointment of Senior Management. The Terms of Reference of the Nomination Committee is detailed at the Company's website, <a href="http://www.sanbumi.com.my">www.sanbumi.com.my</a>.</p>
<b>Explanation for departure</b>	:	Not Applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

### 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 Company does not practise discrimination in any form with regard to gender, ethnicity and age group as the Company is an equal opportunity employer and all appointments and employment are strictly based on merits and suitability. The Company currently has one (1) female Director. However, Sanbumi does not have any target or measure to meet the 30% women directors Board composition.</p> <p>The Board is supportive of Boardroom gender diversity recommended by the Code and will strive towards introducing more female Board members when it reviews its Board composition.</p> <p>The Company's Boardroom Diversity Policy can be viewed at <a href="http://www.sanbumi.com.my">www.sanbumi.com.my</a>.</p>	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	



### 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 Nomination Committee is responsible for evaluating and recommending suitable candidates for Directorships to the Board. The responsibilities of the Nomination Committee in this regard are outlined in its Terms of Reference.</p> <p>In evaluating potential candidates, the Nomination Committee will assess directorship suitability based on objective criteria, including qualifications; desired competencies, skills, expertise and experience; and time commitment to the Company.</p> <p>In searching for suitable candidates, the Nomination Committee may receive suggestions from existing Board Members, Management and major shareholders. The Committee 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>	:	Not Applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Nomination Committee is Dato' Ir Zainurin bin Karman.	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Every Board member carries out his/her own self-assessment by completing a Director's Performance Evaluation Self-Assessment Form to assess his/her own level of competencies in integrity, commitment and ethics, governance, business acumen, judgement and decision making, communication, strategic perspective, teamwork and leadership. The Board member would give positive feedback and comment which could assist the Board as a whole and its members in their performance in the areas of competencies, conformance and/or compliance and improve effectiveness. The Board member would identify their key industry knowledge or skills which they could contribute to the Company. The Nomination Committee will then evaluated the Director's Self-Assessment Forms at the Nomination Committee Meeting.</p> <p>The Audit Committee and the Remuneration Committee each carry out its evaluation with the view to maximize the performance of the individual committees in the interest of the Company. Each Chairman of the committee will complete the assessment forms which cover the purpose, composition and process of the respective committees. The Nomination Committee will evaluate both committees at the Nomination Committee Meeting.</p>
<b>Explanation for departure</b>	:	Not Applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

### 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 Board has in place policy and procedures to determine the level of remuneration of its Director which enables the Group to attract, retain and motivate Directors with relevant experience and expertise needed after considering the recommendations of the Remuneration Committee to assist in managing the Group effectively.</p> <p>All Executive Directors are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their special skills and expertise they bring to the Board. The Directors do not participate in decisions regarding their own remuneration packages. The Board is remunerated in accordance with the respective qualifications, experience and contribution.</p> <p>The policy and procedures shall be made available on the Company's website upon the finalisation of the same.</p>
<b>Explanation for departure</b>	:	Not Applicable.
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

### 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>	:	The Terms of Reference is available on the Company's website <a href="http://www.sanbumi.com.my">www.sanbumi.com.my</a> .	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	In line with the best corporate governance practise, the detailed disclosure on named basis for the remuneration of individual basis has been made in the Company's Annual Report 2018. The said detailed disclosure is set out in the Corporate Governance Overview Statement on page 21 of the Annual Report 2018.	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	Not Applicable.
<b>Explanation for departure</b>	:	<p>The Company takes cognisance of the Malaysian Code on Corporate Governance recommendations. However, the Board is of the view that Sanbumi is a small Company and it needs to take into consideration internal harmony and confidentiality concerns.</p> <p>The Board ensures that the remuneration commensurate with the Company's performance and in line with the industry to retain and motivate the personnel to lead and run the Company successfully. No excessive remuneration is paid to any personnel.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Company has disclosed the aggregate remuneration (including salaries, wages and other emoluments) paid to the staff including senior management staff in note 26 on page 92 of the Annual Report 2018.
<b>Timeframe</b>	:	Not Applicable.

**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>	:	<p>The Chairman of the Board is Dato' Ir Zainurin bin Karman and the Audit Committee Chairman is Mr Lim Thian Loong who is an Independent Non-Executive Director.</p> <p>Hence, the Chairman of the Board and the Chairman of the Audit Committee are 2 separate and distinct individuals.</p>	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

**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>	:	<p>The policy on observation of a cooling-off period of at least 2 years for a former key audit partner prior to the appointment as an Audit Committee member is incorporated in the Terms of Reference of Audit Committee.</p> <p>Presently, no member of the Audit Committee were former key audit partners of Sanbumi's external auditors.</p>	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

### 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 has evaluated the performance of Messrs Crowe Malaysia based on the following during the FY2018:-</p> <ul style="list-style-type: none"><li>a) tenure;</li><li>b) independence and objectivity;</li><li>c) technical competency;</li><li>d) audit quality and adequacy of resources.</li></ul> <p>As part of the review process, the Audit Committee has sought and reviewed the Management's comments and feedbacks on the performance of the External Auditors. The Audit Committee conducted 2 private sessions with the External Auditors, without the presence of the Executive Directors and the Management. This review process ensures that critical issues, if any, are objectively brought up to the attention of the Audit Committee. For further details, please refer to the Audit Committee Report on pages 27 to 30 of the Annual Report 2018.</p> <p>The Company adopted the External Auditors Assessment Policy which is available on the Company's website.</p>
<b>Explanation for departure</b>	:	Not Applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

**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 3 members, all of which are 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>	:	<p>The Chairman of the Audit Committee, Mr Lim Thian Loong, is a graduate member of the Chartered Institute of Management Accountants (CIMA), London. He is also a member of the Chartered Global Management Accountants (CGMA), Malaysian Institute of Accountants (MIA) and the Chartered Tax Institute of Malaysia (CTIM). The other members of the AC have corporate and/or business backgrounds and are financially literate.</p> <p>It is Sanbumi's policy that all members of the Audit Committee undertake continuous professional development to ensure that they are kept informed and updated of the latest developments. In addition to the Mandatory Accreditation Programme as required by the Bursa Malaysia Securities Berhad, the members continue to update their knowledge and skills by way of on the job training, attendance of various workshops, seminars and briefing sessions.</p>
<b>Explanation for departure</b>	:	Not Applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

## 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 has established the appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems.</p> <p>In this regard, the Board has adopted a formal Statement on Risk Management and Internal Control which is set out on pages 33 to 34 of the Company's Annual Report 2018.</p> <p>The Board is responsible towards the overall effectiveness of the Sanbumi Group's risk management and internal control systems. The Audit Committee as an independent party is delegated to review and determine the levels of different categories of risk and to also provide assurance to the Board on the effectiveness of the internal control systems and risk management in the Group.</p> <p>The daily running of the business is entrusted to the Group Managing Director and Management team. This close-to-operations management style enables timely identification and reporting of significant matter.</p> <p>The Audit Committee is also supported by the Group's internal audit function which has been outsourced to IBDC (Malaysia) Sdn Bhd, an independent professional firm, who will provide an independent assessment on the adequacy and effectiveness of the internal control systems operating within the Group.</p>
<b>Explanation for departure</b>	:	Not Applicable.
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

### 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>Risk management in particular the assessment, monitoring and reviews of the various risk factors impacting the Group is a key process continuously undertaken by the management team, with the Audit Committee assuming a key oversight role as delegated by the Board.</p> <p>The Board is also updated regularly and measures including pre-emptive measures to mitigate foreseeable risks will be considered and put to the Board for decision if necessary.</p> <p>Further details on the management and reporting of risks as well as controls in place to mitigate and manage those risks are provided in the Statement on Risk Management and Internal Control included as pages 33 to 34 of the Annual Report 2018.</p>
<b>Explanation for departure</b>	:	Not Applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Not Applicable.
<b>Timeframe</b>	:	Not Applicable.

**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>	:	Not Adopted
<b>Explanation on adoption of the practice</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 10.1

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 internal audit function of the Group is outsourced to an independent professional firm, IBDC (Malaysia) Sdn Bhd and reports directly to the Audit Committee.  The internal auditors carry out internal audits on the Group based on a risk plan approved by the Audit Committee. Audit findings are then circulated to the Audit Committee for their review and further action if necessary.  During the year, the Audit Committee also reviewed the performance of the internal auditors and evaluated their suitability and independence before making recommendation to the Board for their re-appointment and remuneration.	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

## 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 Group's internal audit function is outsourced to an independent professional firm IBDC (Malaysia) Sdn Bhd (IBDC). The Audit Committee had evaluated the firm and concluded that the audit personnel assigned to the Group were adequate to carry out the work and did not have any relationships or conflicts of interest with the Sanbumi Group.</p> <p>The team from IBDC are led by:-</p> <p>Mr Yeoh Chin Hoe    IIAM Chartered Audit Committee Director (<i>Director-In-Charge</i>)    (No. 0039) Fellow of Association of Chartered Certified Accountants (ACCA) Member of Malaysian Institute of Accountants (MIA) Member of Malaysia Institute of Certified Public Accountants (MICPA) Master Degree in Business Administration (General Management)</p> <p>Ms Khoo Wuan Ru    IIAM Associate Member (No. 211254) (<i>Consultant</i>)    Bachelor of Science (BSc), Economics and Finance</p> <p>Ms Kanagaa    IIAM Associate Member (No. 211256) Balasubramaniam    Bachelor of Accounting and Finance (<i>Associate Consultant</i>)    (Hons.)</p> <p>The Internal auditor carried out the internal audits of the Group based on a risk based plan approved by the Audit Committee which meet the objectives of the internal audit framework relevant and applicable to the industry.</p>
<b>Explanation for departure</b>	:	Not Applicable.

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	: Not Applicable.
<b>Timeframe</b>	: Not Applicable.

### 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 believes that stakeholders engagement is the basis of good corporate governance and important for our business economic sustainability. One of our key stakeholders is our shareholders.</p> <p>At our annual AGM, all shareholders are invited to raise questions to the members of the Board. The Board provides clear explanation to address the questions from the shareholders.</p> <p>The Company keeps shareholders informed by announcements and timely release of quarterly financial results through Bursa Link, press releases, annual report and circular to shareholders.</p> <p>Any query and concern regarding the Group may be conveyed to Dato' Ir. Zainurin bin Karman, the Senior Independent Non-Executive Director at:-</p> <p>Telephone number : 04-390 3699 Facsimile number : 04-397 9311</p> <p>The Company encourages all employees and stakeholders to report any improper conduct on the part of employees, management, directors and vendors in particular with respect of their obligation to the Company's interest. Employees and stakeholders who have been aggrieved or have concerns to raise can raise them through the grievance procedure or to the Audit Committee Chairman.</p> <p>The Company's website also serves as a forum to communicate with stakeholders and to provide information on the Group's business activities.</p>
<b>Explanation for departure</b>	:	Not Applicable.
		Not Applicable.
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

**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>	:	Not applicable as the Company is not a Large Company as defined by the Malaysian Code on Corporate Governance 2017.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

**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 of the 49 <sup>th</sup> AGM which is dated 31 July 2018 is despatched to all shareholders on the same day. The 49 <sup>th</sup> AGM will be held on 7 September 2018.	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All directors attended the AGM on 15 September 2017. Senior management and the Group's External Auditors were in attendance to respond to shareholders' enquiries.	
<b>Explanation for departure</b>	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Not Applicable.	
<b>Timeframe</b>	:	Not Applicable.	



### 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company has been holding its AGMs at its registered office.  The Company does not conduct meetings in remote location. However, it is currently not cost effective nor practical for the Company to leverage on technology to facilitate shareholders voting in absentia or having remote shareholders' participation in general meetings.	
	:	Alternative practice: Shareholders are allowed to appoint any person(s) as their proxies to attend, participate and vote in his stead at a general meeting.	
<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>	:		

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

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

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