

CORPORATE GOVERNANCE REPORT

STOCK CODE : 9822
COMPANY NAME : SAM Engineering & Equipment (M) 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 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 Board plays a pivotal role in the stewardship of SAM Engineering & Equipment (M) Berhad ("Company") and its group of companies (collectively, the "Group"), in particular, the direction and operations, and ultimately in enhancing long term shareholder value.</p> <p>The Board reviews the strategic plan of the Group tabled by Management at its meeting. The review would cover the performance targets and long-term plans of the Group to be met by Management.</p> <p>If the Board is satisfied with the strategic plan of the Group as presented by the Management, of which shall be implemented by the Management accordingly. The Board would continue to monitor the plan to ensure its implementation.</p> <p>The Board's role is to oversee the performance of the management to determine whether the business is properly managed. The Board gets updates from Management at the quarterly Board meetings when reviewing the unaudited quarterly results. During such meetings, the Board participates actively in the discussion on the performance of the Group.</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

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 Non-Independent Non-Executive Chairman of the Board is Mr. Tan Kai Hoe.</p> <p>Mr. Tan provides leadership and guidance to the Board and is responsible for ensuring effectiveness of the Board's performance. Mr. Tan Kai Hoe works closely with the rest of the Board members in forming policies and strategies to align the business activities driven by the Management.</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 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman and CEO's positions are held by separate individuals. There is clear division of responsibilities of the Chairman and the Executive Director & CEO. The Board is led by the Non-Independent Non-Executive Chairman while the Management is shepherded by the Executive Director & CEO.</p> <p>Both the Chairman's role and the CEO's role are clearly defined in the Board Charter which is available at the Company's website.</p>	
Explanation for departure	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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	:	The Company Secretaries provide active support to the Board, Chairman, Board Committees and Management in, amongst others, advisory and compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the relevant regulatory requirements, code or guidelines and legislations; management of meetings and others; and all other duties expected of a Company Secretary prescribed by the Companies Act 2016 and the Listing Requirements.
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	:	<p>The Board have full unrestricted access to any information pertaining to the Group's business and affairs.</p> <p>The Board receives documents on matters requiring its consideration at least 7 days in advance of each meeting or each Board Committee Meeting (as the case may be) and vide circular resolutions. This allows the Directors to have sufficient time in appreciating the issues before making any decisions at the relevant meetings.</p> <p>The Board also has unhindered access to the advice and services of the Company Secretaries who are responsible in ensuring that all Board procedures and the relevant rules and regulations, are complied with.</p> <p>The Board also has unhindered access to the advice of Management on matters under discussion or to request for further information on the Group's business activities.</p> <p>The Directors may, with approval from the Chairman, seek independent professional advice, if needed, in the discharge of their duty at the Group's expense.</p> <p>At the conclusion of each meeting, the Company Secretaries would issue the minutes which contain all the deliberations, discussions and decisions of the Board in a timely manner.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by the Board Charter and a formal schedule of matters that are reserved for Board decisions.</p> <p>The Board Charter is published on the Company's website and specifies the role of the Board, the Chairman, the CEO and sets out the terms of reference of each of the Board Committees.</p> <p>The Board and Management would periodically review the Board Charter to ensure its continued relevance in view of latest laws, regulations and guides issued by the relevant authorities. The last review of the Board Charter was on 24 May 2018.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Company has in place a Standard Code of Conduct, Business Ethics and Conflicts of Interests policy (collectively, the "Code of Ethics") The Code of Ethics sets out the standards of ethics expected of the Board, Management and the employees of the Group. The Code of Ethics are available on the Company's website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 also has in place its Whistle Blowing Policy (“WBP”) which outlines when, how and to whom a concern could be properly raised pertaining to an actual or potential corporate fraud or breach of ethics that involves the employees, Management or Director(s) of the Group.</p> <p>All reports are directed to the Chairman of the Audit Committee in accordance with the conditions prescribed under the WBP.</p> <p>The WBP is available on the Company’s website.</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 of eight (8) members, of which five (5) are Independent. The independent directors make up the majority of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>The Nomination and Remuneration Committee ("NRC") and the Board acknowledges that independence should not be determined by tenure of service and it is a fact that continued tenure does bring about stability to the Board and confidence to the Stakeholders due to their mix of skills, professional and commercial experience, technical expertise, competencies and achievements.</p> <p>Dato' Mohamed Salleh Bin Bajuri, Dato' Wong Siew Hai, Dato' Sri Lee Tuck Fook and Mr Lee Hock Chye have served the Company as Independent Non-Executive Directors for a cumulative term of more than 9 years but less than 12 years from 26 September 2007.</p> <p>The NRC had conducted its annual performance evaluation and assessment of the aforementioned Independent Non-Executive Directors and is of the opinion that they remain independent on such rationale as detailed at Paragraph 4.2 of the Corporate Governance Overview Statement.</p> <p>The Board had accepted the rationale of the NRC and has agreed for the re-appointment of the aforementioned Independent Non-Executive Directors and will seek shareholders' approval at the forthcoming Annual General Meeting.</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	:		
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Intended Outcome

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

Practice 4.3- Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for the appointment of new Directors, and the NRC is delegated with the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board.</p> <p>As part of the roles of the NRC, the NRC also evaluates the suitability of potential candidates for appointment to the Board based on, among others, experience, commitment (including time commitment), competency, and (if applicable) such relevant regulatory criteria for assessing independence. The NRC will then recommend the successful candidates for approval and appointment by the Board.</p> <p>The NRC and the Human Resource division of the Group works together in succession planning and identifying suitable candidates for the Board and for senior management.</p> <p>Board succession planning has been tasked to the NRC and they consider and evaluate the suitability of candidates based on, amongst others, experience, commitment (including time commitment), competency, contribution and integrity of candidates including, where appropriate, the criteria for assessing the independence for any appointment of Independent Directors. Upon filtering and selecting, the NRC would recommend the selected candidates to the Board for final approval and appointment by the Board.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>In the Company's Board Diversity Policy, the Board encourages diversity and there is no discrimination on any basis, including but not limited to, race, age, ethnicity and gender. The Board is of the opinion that the evaluation of suitability of candidates should be based on their performance and merit, in the context of skills, time commitment and experience to bring value and expertise to the Board.</p> <p>The Board did not set specific target on gender diversity for the Company and currently, Datuk Dr. Wong Lai Sum is the only female Director on the Board. Her profile can be found at the relevant section of the Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The NRC (and by its extension the Board) works with the Human Resource Division in identification of suitable candidates for directorship.</p> <p>The NRC would consider and evaluate the suitability of candidates based on, amongst others, the Diversity Policy, experience, commitment (including time commitment), competency, contribution and integrity of candidates including, where appropriate, the criteria for assessing the independence for any appointment of Independent Directors. Upon filtering and selecting, the NRC would recommend the selected candidates to the Board for final approval and appointment by the Board.</p> <p>The NRC will consider the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Chairman of the NRC is Dato' Wong Siew Hai and he is an Independent Non-Executive Director. Dato' Wong Siew Hai's profile is available at the 'Director's Profile' section of the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board through the NRC conducts an annual Board evaluation through questionnaires whereby each Director makes an assessment of the effectiveness of the Board as a whole.</p> <p>The assessment is based on board size, mix or composition, conduct of Board meetings and Directors' skill set matrix.</p> <p>The assessment on the Board Committees are based on their roles and scope of work, frequency and length of meetings, supply of sufficient and timely information to the Board and overall effectiveness and efficiency in the discharge of their duties. The results of the evaluation are then collated, distilled, summarised and reported to the Board by the NRC Chairman with an aim towards continuous improvement of the Board, Directors and Board Committees.</p> <p>Each Director is also evaluated by the NRC through an annual self-review method wherein the Directors would assess their own performance based on their contributions and competencies in their dealings with the Board and the relevant Board Committees. In addition, the NRC also assesses the independence of each of the Independent Directors annually and takes into account the said Director's ability to exercise independent judgement in contributing to the effective functioning of the Board.</p> <p>All findings are reported by the NRC to the Board for assessment and decisions.</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	:		
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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 6.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>In determining the remuneration packages of Executive Director and Senior Management, the NRC has considered the compensation and benefits which commensurate with the level of the Executive Director and Senior Management's responsibilities and performance, as well as taking into consideration the Group's performance relative to the industry.</p> <p>The Board collectively determined the remuneration for the Non-Executive Directors to ensure the same is appropriately reflective of experience and the level of responsibilities and contributions including the number of the scheduled meetings for the Board, and Board committees; and are competitive compared with the prevailing market practices. Each of the Non-Executive Directors abstained from deliberating and voting on his or her own remuneration.</p> <p>For the FY2018, the NRC had performed its duty to assess the remuneration package of its Executive Director & CEO and Senior Management.</p> <p>In addition, the NRC had also deliberated on the Directors' fees for the financial year ending 2019 ("FY2019") which is subject to the shareholders' approval at the forthcoming AGM. Further to the deliberations, the NRC had reported to the Board its recommendation and findings.</p> <p>The Directors' remuneration for FY2018 have been disclosed in the annual report on named basis and the said annual report is also published on the Company's Website.</p> <p>The remuneration policy for senior management is confidential due to the competitiveness of the human resource market but is</p>

	reviewed periodically to ensure competitiveness of remuneration in the industry.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company’s desire to attract and retain the right talent in the board and senior management to drive the company’s long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company’s website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has a Nominating & Remuneration Committee (“NRC”) that comprises solely of Non-Executive Directors and a majority of its members are Independent Non-Executive Directors.</p> <p>The composition of the members of the NRC are set out in Paragraph 4.6 of the Corporate Governance Overview Statement.</p> <p>The NRC is guided by its Terms of Reference which details its authority and role. The said Terms of Reference is available on the Company’s website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Pursuant to Section 230 of the Companies Act 2016, the fees of the Directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved by a general meeting. The relevant resolutions in relation to the Directors' remuneration payable to the Directors for the FY2019 shall be presented to the shareholders for approval at the forthcoming AGM.</p> <p>The directors' remuneration (including benefit-in-kind) are set out at Paragraph 7.1 of the Corporate Governance Overview Statement.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company considers the remuneration of the senior Management to be sensitive and proprietary in view of the competitive nature of human resource market. Thus, the Company does not intend to adopt the recommendation to disclose the detailed remuneration of each member of senior management in bands of RM50,000 on a named basis.</p> <p>Furthermore, this is also to preserve confidentiality, negative impact arising from the disclosure, and the larger need to maintain a stable work environment to meet long-term strategic goals. The remuneration package of the employees of the Company benchmarked with the industry and is in line with the industry practice. In addition, their annual increments and bonus payouts are based on performance.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	Other

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company complied with the Practice 8.1 of the Malaysian Code of Corporate Governance 2017 ("MCCG") which stipulates that the Chairman of the AC is not the Chairman of the Board.</p> <p>The AC is an independent Board Committee, led by an Independent Non-Executive Director, which assists the Board in the discharge of its responsibilities for corporate governance, internal controls and reporting.</p> <p>The terms of reference of the AC is available on the Company's website. The members of the AC possess vast experience and skills in understanding and attending to matters falling under the purview of the AC. They are more than qualified to review the accuracy of the Group's financial statement from various perspectives in view of each member's skills and qualifications prior to recommendation of the same to the Board.</p> <p>Further details pertaining to the AC is set out in the AC Report contained in this Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Practice 8.2 of the MCCG requires the AC to have 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 AC. The Terms of Reference of the AC have been updated accordingly in order for the AC to formalise such policy.
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 Board, through the AC, has assessed and affirmed the independence and suitability of the External Auditors and the scope of assessment covers the caliber of the audit firm, team, fees, scope and planning as well as quality of processes and performance, independence and objectivity and client communication.</p> <p>The Board has a set of formalised criteria on assessment on the independence and suitability of external auditors as well as to govern circumstances under which contracts for provision of non-audit services could be entered into by external auditors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	All members of the AC are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the AC. Dato' Mohammed Salleh Bin Bajuri and Dato' Sri Lee Tuck Fook are Chartered Accountants registered with the Malaysian Institute of Accountants. The composition of the AC can be found at the 'Audit Committee Report' section of the Annual Report and the Board is satisfied that the AC possesses a broad range of skills and experience in the discharge of its duties.
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 Group has in place an Enterprise Risk Management Framework in accordance with the principles and guidelines outlined under the Committee of Sponsoring Organisation of the Treadway Commission’s Enterprise Risk Management Integrated Framework (COSO) and is embedded in the Group’s management systems.</p> <p>The Board is supported by the AC in the review of the adequacy and effectiveness of the risk management and internal control framework.</p> <p>The Board is also supported by the Risk and Sustainability Committee (“RSC”) in reviewing the existing risk management framework and risk dashboards, which detail the likelihood and impact of the significant risks and their corresponding action plans.</p> <p>Further details of the Risk Management Framework and the Internal Control System are set out in the ‘Statement On Risk Management And Internal Control’ section of the Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Details of the Group’s enterprise-wide risk management framework are outlined in the Statement on Risk Management and Internal Control 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

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	:	Adopted
Explanation on adoption of the practice	:	<p>The Risk Management Committee ("RMC") was established on 12 August 2013.</p> <p>On 24 May 2018, the Board decided to put Sustainability Management under the purview of RMC and to change the name of the RMC to Risk and Sustainability Committee ("RSC").</p> <p>The formation of the RSC arose from the Board's decision to have a dedicated committee focused on the identification, monitoring and prioritisation of risks that affect the Group followed by coordinated efforts and resources to minimise their potential impact to the Group's operations whilst maximising realisation of opportunities.</p> <p>The members of RSC, comprises wholly of Independent Non-Executive Directors.</p>

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	The key features and state of internal control and risk management of the Group are furnished in the Statement on Risk Management and Internal Control in this Annual Report. An independent Internal Audit team, which reports directly to the AC, was established in line with the MCCG and the Listing Requirements. Detailed information on the internal audit function is outlined in the AC Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies 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	:	The internal audit team reports directly to the AC. None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions	
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 recognises that the key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from individuals and institutional shareholders on all issues relevant to the Group.</p> <p>The Board has facilitated communications with its shareholders at general meetings.</p> <p>The Board has also held briefings for fund managers, institutional investors and investment analysts. While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.</p> <p>Stakeholders and shareholders may communicate any concerns or queries to the Independent Directors through the Company's registered address or via e-mail set out on the Company Website at independent@sam-malaysia.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

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not a Large Company as defined under the MCGG.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>General Meeting serves as the principal platform for the Board and Management to engage with shareholders and encourage effective shareholders' communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests.</p> <p>The Company Secretaries, by order of the Board, served a notice of AGM to all shareholders of the Company at least 28 days prior to its forthcoming AGM to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the AGM. Notice of the AGM clearly sets out details of the resolutions proposed accompanied by explanatory notes on the rationale of each resolution to enable the shareholders to make informed decisions in exercising their voting rights.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	The General Meeting also serves as an avenue for the Chairman and the Board members to engage in a two-way communication with shareholders where the shareholders are encouraged to participate in the question-and-answer session with the Board personally and exercise their right to vote on the proposed resolutions. The Board will ensure that all Board members, particularly the chairperson of each Board Committee will attend general meetings to facilitate engagement with shareholders and to address any relevant questions and concerns raised by the shareholders. The external auditors will be present at the AGM to respond to any queries from shareholders on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Group, and the independent audit review of the Group's financial position.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company's General Meeting is not held in a remote location. The Board conducts poll voting for all resolutions set out in the notice of a general meeting and posts a summary of key matters discussed at the AGM on the Company's website.</p> <p>Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his/her stead at a general meeting.</p> <p>Practice 12.3 of the MCCG encourages listed companies with a large number of shareholders to facilitate:</p> <ul style="list-style-type: none">• Voting in absentia; and• Participation remotely at General Meetings. <p>As a listed entity on Bursa Securities in Malaysia, the Board noted that a majority of the shareholders of the Company reside in Malaysia and predominantly in Penang. Therefore, the general meetings of the Company have always been held in Penang.</p>
<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.

Not Applicable.
