

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5285  
**COMPANY NAME** : SIME DARBY PLANTATION BERHAD  
**FINANCIAL YEAR** : Financial Period Ended 31 December 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 TO 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 role of the Board is to promote and protect the interests of the Sime Darby Plantation Group (“SD Plantation” or “the Company” or “the Group”); i.e. the shareholders and stakeholders of each member of the Group. The Board shoulders the ultimate responsibility of determining the direction of the Group, thereby ensuring the long-term success of the Group and the delivery of sustainable value to its stakeholders. The Board provides thought leadership and advice in fine-tuning corporate strategies, championing good governance and ethical practices, and ensures the effective execution of these strategies.</p> <p><b>1. <u>Principal Responsibilities of the Board</u></b></p> <p>The Board is principally responsible for:</p> <p>a) Promoting together with Senior Management, good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;</p> <p>b) Reviewing and adopting a strategic plan for the Group</p> <ul style="list-style-type: none"> <li>• Review, challenge and approve Management’s proposal on a strategic plan for the Group by bringing objectivity and breadth of judgment to the strategic planning process;</li> <li>• Ensure that the strategic plan for the Group supports long-term value creation and includes strategies on economic, environmental, safety &amp; health, social and governance considerations underpinning sustainability; and</li> <li>• Monitor the implementation of the strategic plan by Management.</li> </ul>

	<p>c) Overseeing the conduct of the Group’s business</p> <ul style="list-style-type: none"> <li>• Oversee the conduct of the Group’s business, including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management;</li> <li>• Approve and monitor progress of major capital expenditure, fund-raising, acquisitions and divestitures;</li> <li>• Supervise and assess the performance of Management to determine whether the business is being properly managed and ensure that appropriate measures are in place against which Management’s performance can be assessed;</li> <li>• Review, challenge and decide on Management’s proposals for the Group and monitor its implementation by Management; and</li> <li>• Monitor compliance with established policies and procedures.</li> </ul> <p>d) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures</p> <ul style="list-style-type: none"> <li>• Understand the principal risks of the Group’s business and recognise that business decisions involve the taking of appropriate risks;</li> <li>• Fulfil statutory and fiduciary responsibilities by monitoring the operational, financial and risk management processes of the Group and ensuring that internal control procedures are in place;</li> <li>• Set the risk appetite within which the Board expects Management to operate and ensure that there is a sound risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks; and</li> <li>• Comply with environment, safety and health legislation by understanding the operations being carried out by employees and the hazards and risks associated with such operations.</li> </ul> <p>e) Succession Planning</p> <ul style="list-style-type: none"> <li>• Ensure Senior Management has the necessary skills and experience; and</li> <li>• Ensure measures are in place to provide for orderly succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing Senior Management.</li> </ul> <p>f) Overseeing the development and implementation of a stakeholder communications policy for the Group</p> <ul style="list-style-type: none"> <li>• Ensure that the Group has in place a policy to enable effective communication with its stakeholders. This policy should include how feedback received from its stakeholders is considered by the Group when making business and other decisions.</li> </ul>
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- g) Reviewing the adequacy and the integrity of the management information and internal control systems of the Group
- Ensure that there is a sound framework of reporting on internal controls and regulatory compliance;
  - Review the efficiency and quality of the Group's financial reporting process and systems of accounting and internal controls; and
  - Ensure the integrity of the Group's financial and non-financial reporting.

Individual Directors discharge their fiduciary responsibilities by:

- Acting in good faith and in the best interest of the Group;
- Demonstrating good stewardship and acting in a professional manner with sound mind;
- Acting with reasonable care, skill and diligence subject to the business judgement rule;
- Avoiding conflicts of interest with the Group in a personal or professional capacity, including improper use of the property, information, opportunity of the Group or position as a Director or officer of the Group or engaging in business which is in competition with the Group;
- Ensuring Board information, discussions, deliberations and decisions that are not publicly known are not used for personal interest, or their employers' interest;
- Disclosure of and abstaining from voting on matters of material personal interest;
- Exercising greater vigilance and professional scepticism in understanding and shaping the strategic direction of the Company and/or Group; and
- Compliance with the Companies Act, securities legislation and the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities).

The Board has delegated some of its powers and functions to each of the following Board Committees to assist it in carrying out its responsibilities:

- Governance & Audit Committee (GAC);
- Nomination & Remuneration Committee (NRC);
- Risk Management Committee (RMC);
- Sustainability Committee (SC); and
- Board Tender Committee (BTC).

To enhance the Group's corporate governance, the Senior Independent Non-Executive Director (SINED) has been appointed as the GAC's Chairman. The duties of SINED include acting as a sounding board for the Chairman, an intermediary for other Directors when necessary, and the point of contact for shareholders and other stakeholders with concerns which have failed to be resolved or would not be appropriate to be communicated through the normal channels of the Chairman and/or Executive Deputy Chairman & Managing Director (EDCMD).

The Senior Management of the Group is led by the Managing Director who is also the Executive Deputy Chairman of the Board. The EDCMD assumes the overall responsibilities for the execution of the Group's strategies in line with the Board's direction, oversees the operations of the Subsidiary Companies and drives the Group's businesses and performance towards achieving the Group's vision and goals. The key roles of the EDCMD include, among others:

- Displaying ethical behaviour while overseeing the day-to-day business operations, implementing Board policies and strategies, and making operational decisions;
- Serving as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions;
- Ensuring that all Board decisions reflect its environment, safety and health intentions as articulated in the environment, safety and health policy statement;
- Ensuring effective relationships and communication with Management, and between the Board, shareholders and relevant stakeholders;
- Providing strong leadership by effectively communicating the vision, management philosophy, business strategy and environment, safety and health policy to employees; and
- Keeping the Board informed of salient aspects and issues concerning the Group's operations, including those related to environment, safety and health.

In line with the retirement of the EDCMD in June 2019, the Chief Operating Officer of Upstream Operations has been appointed as Deputy to the Managing Director with effect from 1 January 2019, to understudy the incumbent. The appointment underscores the Board's role in ensuring seamless succession at the top leadership.

The Board Charter, which further details out the roles and responsibilities of the Board, is available on SD Plantation's website at [www.simedarbyplantation.com](http://www.simedarbyplantation.com).

## 2. **Strategic Aims**

The Board is cognisant of its critical role in governing and setting the strategic direction of the Company, while upholding a high standard of corporate governance in providing valuable oversight and guidance to Management to navigate difficult and complex issues that affect the achievement of the Group's medium to long term targets. The Board ensures that decisions taken are in the best interest of the Group and its stakeholders.

The Board and Management have the ability to drive the Group through transformation into the next phase of growth, which is to innovate, execute, and create value, given our extensive experience in the plantation industry and the Board members' prominent positions

	<p>and directorships in areas such as plantation, banking and finance sectors and in governmental, regulatory and professional bodies. Our relentless focus is now on execution in driving value creation for our stakeholders, through becoming the global brand for plantation sustainability; upstream operational excellence; serving the customers of the future; and maximising returns through the palm oil value chain.</p> <p><b>3. <u>Values and Standards</u></b></p> <p>Through corporate governance, the Board promotes and protects the interests of the Group and its stakeholders. The Board shoulders the ultimate responsibility of determining the direction of the Company, thereby ensuring the long-term success of the Company and the delivery of sustainable value to its stakeholders.</p> <p>For the Board, governance is not just about adherence to a set of recommendations, but rather a way of doing business. Thus, the Board is committed to put governance at the heart of everything it does and in line with this commitment, the Group has adopted a governance framework based on the following principles:</p> <ul style="list-style-type: none"> <li>• To promote greater transparency, accountability and responsiveness;</li> <li>• To balance the operating autonomy of the various Group Companies with appropriate checks and balances and performance benchmarks; and</li> <li>• To cultivate ethical business conduct and instil desired behaviours based on the Group’s espoused Core Values and Business Principles as set out in our Code of Business Conduct (COBC).</li> </ul> <p>The Company’s Core Values are:</p> <ul style="list-style-type: none"> <li>• Integrity;</li> <li>• Respect and Responsibility;</li> <li>• Enterprise; and</li> <li>• Excellence.</li> </ul> <p>For further information on the key activities of the Board and Board Committees for the Financial Period Ended 31 December 2018, please refer to our Annual Report, which is also available on SD Plantation’s website.</p>
<p><b>Explanation for departure</b> :</p>	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Chairman presides over meetings of Directors and is responsible for instilling good corporate governance practices, leadership and the effectiveness of the Board. The duties of the Board Chairman include the following:</p> <p>a) Managing Board meetings to ensure robust decision-making by:</p> <ul style="list-style-type: none"><li>• setting the agenda for each Board meeting together with the Group Secretary and the Executive Deputy Chairman &amp; Managing Director (EDCMD). Other Directors and key members of Management may also be consulted;</li><li>• ensuring the provision of accurate, complete, timely and clear information to the Directors;</li><li>• leading Board meetings and discussions;</li><li>• managing Boardroom dynamics by promoting a culture of openness and debate; encouraging active participation and allowing dissenting views to be freely expressed; and</li><li>• ensuring all Directors are properly briefed on issues arising at Board meetings in a timely manner.</li></ul> <p>b) Building a high-performance Board by:</p> <ul style="list-style-type: none"><li>• providing leadership for the Board so that the Board can perform its responsibilities effectively;</li><li>• taking a leading role in establishing an effective corporate governance system and practices, including Board and Committee Charters, a Committee structure and ensuring that induction as well as ongoing education programmes for Directors are in place;</li><li>• arranging the regular evaluation of the performance of the Board, its Committees and individual Directors and discussing the performance assessment with individual Directors and Committee Chairmen;</li><li>• ensuring that prior to new appointments to the Board, an assessment is undertaken on the candidate, which may include a competency and behavioural analysis of the candidate and seeking third party feedback on the candidate; and</li></ul>

	<ul style="list-style-type: none"> <li>• ensuring that the Board and senior executive succession planning is considered on an ongoing basis</li> </ul> <p>c) Managing Board/Management interface by:</p> <ul style="list-style-type: none"> <li>• acting as the conduit between Management and the Board, although all Directors shall have the opportunity to get to know key members of the Management team;</li> <li>• developing a positive relationship with the EDCMD, acting as a confidant and advisor; and</li> <li>• facilitating the selection and appointment of a successor to the current EDCMD.</li> </ul> <p>d) Being the public face of the Group by:</p> <ul style="list-style-type: none"> <li>• acting as a spokesperson for the Board; and</li> <li>• representing SD Plantation at shareholders' meetings and on other occasions when actions are taken or statements are made in the name of the Group, both domestically and/or abroad.</li> </ul> <p>e) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.</p> <p>The roles and responsibilities of the Chairman of the Board are specified in the Board Charter which is made available on SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>
<b>Explanation for departure</b> :	
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<b>Measure</b> :	
<b>Timeframe</b> :	

## Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board supports the principle of different individuals for the Chairman and Chief Executive Officer (CEO) roles. This principle is beneficial to the effective functioning of the Board and facilitates a powerful check and balance mechanism.</p> <p><b>1. <u>The Chairman</u></b></p> <p>Tan Sri Dato' Abdul Ghani Othman was appointed as SD Plantation's Chairman on 1 July 2013. He leads the Board in setting the Company's key policies and direction, ensures effective operation of the Board and is the spokesperson for the Board. He principally ensures that the Board fulfils its obligations under the Board Charter and as required under the relevant legislations.</p> <p><b>2. <u>Executive Deputy Chairman &amp; Managing Director (EDCMD)#</u></b></p> <p>The Group is spearheaded by Tan Sri Dato' Seri Mohd Bakke Salleh as the EDCMD. He was appointed to the Board of SD Plantation on 30 December 2010 and assumed his role as the EDCMD of the Group on 21 November 2017. He ensures effective implementation of the Board's policies, achieves strategic vision and performance targets, exercises high level business judgement and manages the relationship with stakeholders and the interface with the public.</p> <p><i>(Note #: The EDCMD has similar duties of a CEO)</i></p> <p>In line with the retirement of the EDCMD in June 2019, Encik Mohamad Helmy Othman Basha, the Chief Operating Officer of Upstream Operations has been appointed as the Deputy to the Managing Director with effect from 1 January 2019, to understudy the incumbent. The appointment underscores the Board's role in ensuring seamless succession at the top leadership.</p> <p>The roles and responsibilities of the Chairman and EDCMD are encapsulated in the Board Charter, which is available on SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a></p>

<b>Explanation for departure</b> :		
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<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 1.4

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>The Board shall ensure that it is supported by a suitably qualified and competent Group Secretary, who plays an important advisory role and fulfils the functions for which he/she has been appointed.</p> <p>At SD Plantation, the function of the Group Secretary is not combined with any other position. This is to ensure that the Group Secretary's role which requires impartiality when providing advice on governance issues is not compromised. The Group Secretary, as key resource support, ensures that the Board operates effectively, and high standards of governance practices are upheld.</p> <p>The Group Secretary, Puan Norzilah Megawati Abdul Rahman, was appointed on 1 December 2017. She holds a degree in Law from the University of Malaya and is licensed by the Registrar of Companies. Puan Norzilah was previously the Group Secretary of Sime Darby Berhad since September 2007, a conglomerate comprising five key businesses namely Plantation, Property, Motors, Industrial and Logistics. Prior to that, she held various senior positions in Kumpulan Guthrie Berhad and has working experience in many areas, among others, investment analysis, money market trading, corporate secretarial and legal.</p> <p>The Group Secretary's position is subject to a fixed tenure. The renewal of the contract, together with the performance of the Group Secretary is tabled to the Nomination &amp; Remuneration Committee and the Board for recommendation and approval, respectively.</p> <p>The role of the Group Secretary includes:</p> <ul style="list-style-type: none"><li>• Advising the Board on its roles and responsibilities;</li><li>• Facilitating the orientation of new Directors and assist in Directors training and development;</li><li>• Advising the Directors on corporate disclosures and compliance with company and securities regulations and listing requirements including:<ul style="list-style-type: none"><li>– disclosure of interests in securities;</li><li>– disclosure of any conflict of interest in a transaction involving the Group;</li></ul></li></ul>

	<ul style="list-style-type: none"> <li>– prohibition of dealing in securities; and</li> <li>– restrictions on disclosure of price-sensitive information.</li> <li>• Managing processes pertaining to shareholders’ meetings;</li> <li>• Monitoring corporate governance development and assist the Board in applying governance practices to meet the Board’s needs and stakeholders’ expectations; and</li> <li>• Serving as a focal point for stakeholders’ communication and engagement on corporate governance issues.</li> </ul> <p>The Group Secretary also organises and provides assistance at Board and Board Committee meetings. In this respect, the Group Secretary has the following key responsibilities:</p> <ul style="list-style-type: none"> <li>• Assists the Chairman in planning the Board activities;</li> <li>• Drafts the schedule of Board activities for the financial year;</li> <li>• Ensures meetings are arranged and held accordingly;</li> <li>• Draws up meeting agendas in consultation with the Board Chairman and maintain the minutes;</li> <li>• Ensures the presence of a quorum at the meeting;</li> <li>• Attends Board and Board Committee meetings and ensure the proceedings of meetings are recorded and the minutes circulated in a timely manner;</li> <li>• Ensures structured communication channels between the Board and Board Committees; and</li> <li>• Ensures Board Committees’ recommendations presented to the Board are supported by papers that explain the rationale for the Committees’ recommendations.</li> </ul> <p>The Group Secretary is also a member of the Company’s Plantation Leadership Committee (PLC) and Management Committee (MC). She works closely with the EDCMD to ensure timely and appropriate information flow between the Board, Board Committees, PLC and MC.</p> <p>The profile of the Group Secretary is available online on SD Plantation’s website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>
<b>Explanation for departure</b> :	
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<b>Measure</b> :	
<b>Timeframe</b> :	

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p><b>1. <u>Meeting Materials</u></b></p> <p>The Board and Board Committees meeting schedules, together with their agendas are made available before the first quarter of each financial year to allow for adequate preparation before the meetings. The schedules include meetings of Board Committees and general meetings of shareholders and map out the flow of key items of business to ensure that sufficient time is set aside. Board materials and information (agenda, Board papers, minutes etc.) are, to the extent feasible, provided/made available five working days prior to each Board meeting so that Directors have sufficient time to read, understand the material provided and obtain further information, clarification or explanation, where necessary.</p> <p>Except for sensitive/confidential papers, Board materials are disseminated electronically using a Board Meeting Management Solution, which provides Directors with secured access to meeting papers globally. The solution is an initiative towards having paperless Board meetings and has made conference calls with Directors who are travelling more effective.</p> <p>Board papers deemed urgent may be submitted to the Group Secretary for tabling at Board meetings, subject to the approval of both the Chairman and the Executive Deputy Chairman &amp; Managing Director (EDCMD). Meeting agendas are also sequenced by taking into consideration the complexity of the proposals and whether they are items for approval or noting by the Board. These are done in order for Board meetings to be more effective and to enable in-depth deliberation of matters. Issues raised, deliberations and decisions including dissenting views made at Board meetings are recorded in the minutes.</p> <p>Senior Management may be required to make presentations on proposal papers and brief/update the Board on operational issues to further facilitate the Board's decision-making process.</p>

	<p>All the Directors have direct access to the advice and services of the Group Secretary, whether as the full Board or in their individual capacity, in the furtherance of their duties.</p> <p><b>2. <u>Minutes Circulation</u></b></p> <p>The minutes of the meeting is action oriented and record the deliberations and decisions of the Board. The minutes include compiled Board instructions as Matters Arising for discussion at each Board meeting to ensure proper follow through.</p> <p>The minutes are distributed to Board members and approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.</p> <p>Every Board member is responsible to ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter.</p> <p>The Group Secretary is responsible for ensuring that the proceedings of meetings are recorded, and the minutes circulated in a timely manner.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter sets out the Board's strategic intent and outlines the roles and powers that the Board specifically reserves for itself, and those which it delegates to Management and in so doing, also sets the tone of the various Board Committees.</p> <p>Specific matters reserved for the Board include:</p> <ul style="list-style-type: none"> <li>• Group strategy, plans and budgets;</li> <li>• Acquisitions and disposals and transactions exceeding the authority limits of the Executive Deputy Chairman &amp; Managing Director (EDCMD);</li> <li>• Changes to Senior Management; and</li> <li>• Changes in the key policies, procedures and delegated authority limits of the Group.</li> </ul> <p>Paragraph 16 of the Board Charter specifies that the Charter and the Terms of Reference of each Committee established by the Board shall be periodically reviewed and updated by the Board taking into consideration the needs of the Group as well as any development in rules and regulations that may have an impact on the discharge of the Board's duties and responsibilities. In view of the above, the Board Charter was last revised on 27 September 2018.</p> <p>The Board Charter is available in the Governance section on SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p> <p>Reports on each of the Board Committees can also be referred in the Company's Annual Report for Financial Period Ended 31 December 2018, which is also available on SD Plantation's website.</p>
<b>Explanation for departure</b>	:	

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<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board formalises and maintains a set of ethical standards of behaviour expected of all Directors, Management, employees and, where applicable, counterparts and business partners through the Group's Code of Business Conduct (COBC) and together with Management, implements its policies and procedures, which include managing conflicts of interest and preventing the abuse of power, corruption, insider trading, and money laundering.</p> <p>These are integrated into our group-wide management practices as follows:</p> <p><b>1. <u>Code of Business Conduct (COBC)</u></b></p> <ul style="list-style-type: none"><li>• The COBC demonstrates SD Plantation's commitment towards conducting business in an ethical manner and is instrumental in guiding us to uphold our Group's fundamental Core Values: Integrity, Respect &amp; Responsibility, Enterprise and Excellence.</li><li>• All Directors and Employees of the Group must read and declare compliance with the COBC upon appointment to or joining the Group and relevant training and attestation programmes are developed to ensure that staff will be able to understand the COBC and apply it in their daily lives.</li><li>• Where cases of breaches of the COBC, including fraud, are suspected, investigative activity will be conducted and where fault has been established, will be addressed in line with existing Human Resources policies.</li><li>• The COBC applies to all businesses and countries in which the Group operates.</li></ul>

	<p><b>2. <u>Vendor Code of Business Conduct (VCOBC)</u></b></p> <p>As our counterparties are also encouraged to adopt similar principles and standards of behaviour, the VCOBC outlines the standards of behaviour required from the Vendors in relation to labour &amp; human rights, environment, safety &amp; health, and ethics &amp; management practices.</p> <p>Both, the COBC and VCOBC are available on SD Plantation’s website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>SD Plantation expects the highest standards of integrity from all its employees and vendors. The Group takes a serious view of any wrongdoing on the part of any of its Employees, Management, Directors and Vendors, in particular with respect to their obligations to the Group's interests.</p> <p>The Board establishes, reviews, and together with Management, implements appropriate policies and procedures on whistleblowing (WB). The oversight of the whistleblowing function is under the purview of the Senior Independent Non-Executive Director (SINED), who ensures that all reported violations are properly investigated. The SINED is also responsible for reviewing the effectiveness of the actions taken in response to all concerns raised.</p> <p>In discharging her duties, the SINED is assisted by the WB Administrator from Group Compliance, one of the functions under the independent Group Integrity, Governance and Assurance Department.</p> <p><b><u>Acting in Good Faith</u></b></p> <p>The Group expects all parties to act in good faith and have reasonable grounds when reporting a WB complaint. If allegations are proven to be malicious, parties responsible may be subject to appropriate action, up to and including legal action, where applicable.</p> <p><b><u>Whistleblowing Channels</u></b></p> <p>The Board has also put in place a WB mechanism as a tool for reporting any wrongdoing in confidence. The primary aim of the WB mechanism is to enable individuals to raise genuine concerns without fear of retaliation. Any party that retaliates against someone who has reported a wrongdoing in good faith may be subject to appropriate action, up to and including legal action, where applicable.</p> <p>This tool is made available internally to the Employees, Directors, Counterparties and Business Partners as well as to other external parties via SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>

	<p>The WB channels are established to help all stakeholders raise concerns, without fear of retaliation, on any wrongdoing that they may observe in SD Plantation and its Group.</p> <p>Parties can report a WB complaint if they are aware of any wrongdoings, including, but not limited to the following:</p> <ul style="list-style-type: none"> <li>• Fraud;</li> <li>• Misappropriation of assets;</li> <li>• Sexual harassment;</li> <li>• Criminal breach of trust;</li> <li>• Illicit and corrupt practices;</li> <li>• Questionable or improper accounting;</li> <li>• Misuse of confidential information;</li> <li>• Acts or omissions which are deemed to be against the interest of the Company, laws, regulations or public policies;</li> <li>• Giving false or misleading information (including suppression of any material fact or information);</li> <li>• Breaches of Group Policies and Code of Business Conduct (COBC); or</li> <li>• The deliberate concealment of any of the above matter or other acts of wrongdoing.</li> </ul> <p>During the year, a WB Committee at Management level who reports to SINED had been established with the primary objective of facilitating a joint-decision making process on all WB and its related matters. The WB Committee also ensures that WB incidents reported are investigated and addressed.</p> <p>Among others, the WB Committee is authorised to perform the following:</p> <ol style="list-style-type: none"> <li>a) Ascertain the appropriateness in the assignment of wrongdoing cases for investigation;</li> <li>b) Reopen concluded investigations in the event there are new facts or evidence that warrants a review or as instructed by the SINED;</li> <li>c) Initiate investigations into WB incidents which had not been considered for investigation;</li> <li>d) Discontinue investigations for cases which are deadlocked or as requested by a whistleblower;</li> <li>e) Deliberate on the outcome of investigations performed prior to case closure; and</li> <li>f) Follow-up with the relevant parties in ensuring that appropriate action is taken against individual(s) responsible with proven wrongdoings.</li> </ol> <p>In discharging its duties, the WB Committee consists of the following members:</p> <ol style="list-style-type: none"> <li>a) Chief Integrity &amp; Assurance Officer (Chairman);</li> <li>b) Chief Human Resources Officer (or alternate: Head, Industrial Relations &amp; Human Resources Governance); and</li> <li>c) Group General Counsel (or alternate: Senior Manager, Group Legal)</li> </ol>
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<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied																		
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of Independent Directors (IDs), in particular those who are subject matter experts in the fields of business that the Group is involved in, in order to support objective and independent deliberation, review, and decision making. A Board with a majority of IDs allows for a more effective oversight on Management and thus, the Board strives to maintain a composition where a majority of its Directors are independent.</p> <p>Presently, the Board comprises 55% IDs, with the following composition:</p> <p>i) Independent Directors</p> <table border="1"> <thead> <tr> <th>Designation</th> <th>Total Member</th> </tr> </thead> <tbody> <tr> <td>Senior Independent Non-Executive Director</td> <td>1</td> </tr> <tr> <td>Independent Non-Executive Director</td> <td>5</td> </tr> <tr> <td><b>Total Independent Directors</b></td> <td><b>6</b></td> </tr> </tbody> </table> <p>ii) Non-Independent Directors</p> <table border="1"> <thead> <tr> <th>Designation</th> <th>Total Member</th> </tr> </thead> <tbody> <tr> <td>Chairman, Non-Independent Non-Executive Director</td> <td>1</td> </tr> <tr> <td>Executive Deputy Chairman &amp; Managing Director, Executive Director</td> <td>1</td> </tr> <tr> <td>Non-Independent Non-Executive Director</td> <td>3</td> </tr> <tr> <td><b>Total Non-Independent Directors</b></td> <td><b>5</b></td> </tr> </tbody> </table>	Designation	Total Member	Senior Independent Non-Executive Director	1	Independent Non-Executive Director	5	<b>Total Independent Directors</b>	<b>6</b>	Designation	Total Member	Chairman, Non-Independent Non-Executive Director	1	Executive Deputy Chairman & Managing Director, Executive Director	1	Non-Independent Non-Executive Director	3	<b>Total Non-Independent Directors</b>	<b>5</b>
Designation	Total Member																			
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<b>Total Non-Independent Directors</b>	<b>5</b>																			
<b>Explanation for departure</b>	:																			
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<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 4.2

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 - Annual shareholders' approval for independent directors serving beyond 9 years Applied - Two Tier Voting																					
<b>Explanation on application of the practice</b>	: The Board has adopted the nine-year rule for Independent Non-Executive Directors (INEDs). Upon completion of the nine (9) years, an INED may continue to serve on the Board as a Non-Independent Non-Executive Director. If the Board intends to retain an INED beyond 9 years, it shall justify and seek annual shareholders' approval  However, none of the INED have served beyond 9 years from the Listing date (30 November 2017), as shown below: <table border="1" data-bbox="544 1227 1393 1989"> <thead> <tr> <th data-bbox="544 1227 916 1402">Name</th> <th data-bbox="916 1227 1201 1402">Designation</th> <th data-bbox="1201 1227 1393 1402">Period Served since Appointed <sup>(1)</sup> as INED</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 1402 916 1498">DATUK ZAITON MOHD HASSAN</td> <td data-bbox="916 1402 1201 1498">Senior Independent Non-Executive Director</td> <td data-bbox="1201 1402 1393 1498">1 year 6 months</td> </tr> <tr> <td data-bbox="544 1498 916 1594">TAN SRI DATUK DR. YUSOF BASIRAN</td> <td data-bbox="916 1498 1201 1594">Independent Non-Executive Director</td> <td data-bbox="1201 1498 1393 1594">1 year 6 months</td> </tr> <tr> <td data-bbox="544 1594 916 1691">MUHAMMAD LUTFI</td> <td data-bbox="916 1594 1201 1691">Independent Non-Executive Director</td> <td data-bbox="1201 1594 1393 1691">1 year 6 months</td> </tr> <tr> <td data-bbox="544 1691 916 1787">TAN TING MIN</td> <td data-bbox="916 1691 1201 1787">Independent Non-Executive Director</td> <td data-bbox="1201 1691 1393 1787">1 year 6 months</td> </tr> <tr> <td data-bbox="544 1787 916 1883">LOU LEONG KOK</td> <td data-bbox="916 1787 1201 1883">Independent Non-Executive Director</td> <td data-bbox="1201 1787 1393 1883">1 year 6 months</td> </tr> <tr> <td data-bbox="544 1883 916 1989">DATO' HENRY SACKVILLE BARLOW<sup>(2)</sup></td> <td data-bbox="916 1883 1201 1989">Independent Non-Executive Director</td> <td data-bbox="1201 1883 1393 1989">1 month</td> </tr> </tbody> </table>	Name	Designation	Period Served since Appointed <sup>(1)</sup> as INED	DATUK ZAITON MOHD HASSAN	Senior Independent Non-Executive Director	1 year 6 months	TAN SRI DATUK DR. YUSOF BASIRAN	Independent Non-Executive Director	1 year 6 months	MUHAMMAD LUTFI	Independent Non-Executive Director	1 year 6 months	TAN TING MIN	Independent Non-Executive Director	1 year 6 months	LOU LEONG KOK	Independent Non-Executive Director	1 year 6 months	DATO' HENRY SACKVILLE BARLOW <sup>(2)</sup>	Independent Non-Executive Director	1 month
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DATO' HENRY SACKVILLE BARLOW <sup>(2)</sup>	Independent Non-Executive Director	1 month																				

	<p><i>Notes:</i></p> <ol style="list-style-type: none"> <li>1. As at Annual General Meeting on 23 May 2019</li> <li>2. Dato' Henry Sackville Barlow was appointed on 5 April 2019</li> </ol> <p>If the Board continues to retain the INED after the twelfth (12<sup>th</sup>) year, the Board shall seek annual shareholders' approval through a two-tier voting process. Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders' meeting:</p> <ul style="list-style-type: none"> <li>• Tier 1: Only the Large Shareholder(s) of the Company votes.</li> <li>• Tier 2: Shareholders other than Large Shareholder(s) votes.</li> </ul> <p>Large Shareholder means a person who:</p> <ul style="list-style-type: none"> <li>• is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the Company; or</li> <li>• is the largest shareholder of voting shares in the Company; or</li> <li>• has the power to appoint or cause to be appointed a majority of the Directors of the Company; or</li> <li>• has the power to make or cause to be made, decisions in respect of the business or administration of the Company, and to give effect to such decision or cause them to be given effect to.</li> </ul> <p>The decision for the resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority of votes determines the outcome of the Tier 1 vote. The resolution is deemed successful if both Tier 1 and Tier 2 votes support the resolution. However, the resolution is deemed to be defeated where the vote between the two tiers differs or where Tier 1 voter(s) abstain from voting.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<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><b>1. <u>Appointment of Board of Directors</u></b></p> <p>The Board aims to have an appropriate level of diversity in the Boardroom to reflect the diverse nature of the Company's operations and to support the achievement of the Company's strategic objectives. Diversity in terms of skills, background, knowledge, international and industry experience, culture, independence, age and gender, among many other factors, will be taken into consideration when seeking to appoint a new Director to the Board so as to bring relevant perspectives to Board discussions.</p> <p>The Company has an experienced Board with extensive capabilities and diversified backgrounds. The Board members have held prominent positions and directorships in areas such as plantation, the banking and finance sectors, as well as in governmental, regulatory and professional bodies.</p> <p>Thus, the Board has the ability to drive the Company through transformation into the next phase of growth which is to innovate, execute, and create value. The ability of the Board to adapt to various cultures, operating environments and sustainability requirements is a key success factor for the Company.</p> <p>The Board's composition will be annually evaluated and reviewed, and recommendation will be made on its appropriate size and the required mix of skills, experience as well as other qualities, including core competencies which Non-Executive Directors (NED) shall bring to the Board to ensure that they are in line with SD Plantation's requirements.</p> <p>The above is in line with paragraph 3.3 of the Board Charter where, <i>"Members of the Board should possess the relevant knowledge, skills, competencies, functional and management experience, characteristics and mind-set to contribute effectively to the Board. The Board shall also regularly review its membership to ensure the Board remains relevant and should formalise its succession planning practices."</i></p> <p>In addition, the Nomination &amp; Remuneration Committee (NRC) will consider and recommend any policy regarding the period of service of NED, tenure of Independent Directors and the term of office of Board Committee members, including Chairmen of Board Committees.</p>

On 5 April 2019, the Board approved the appointment of Dato' Barlow as an Independent NED on the Board of SDP and as the Chairman and/or Member of the following Board Committees of SDP:

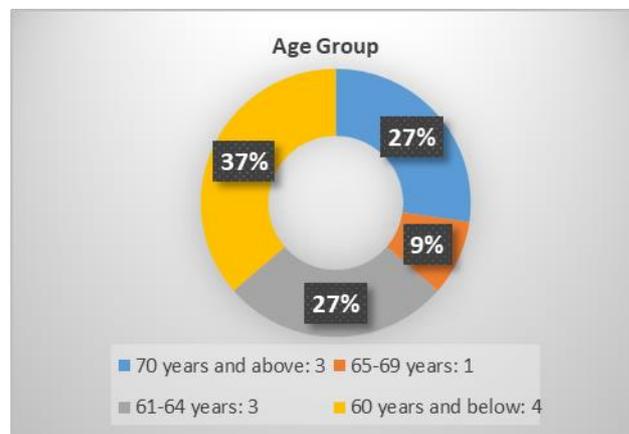
Board Committee	Designation
Sustainability Committee	Chairman
Nomination & Remuneration Committee	Member
Governance & Audit Committee	Member

The appointment of Dato' Barlow will facilitate the Company in addressing the requirement for Independent Directors on its Board and Board Committees.

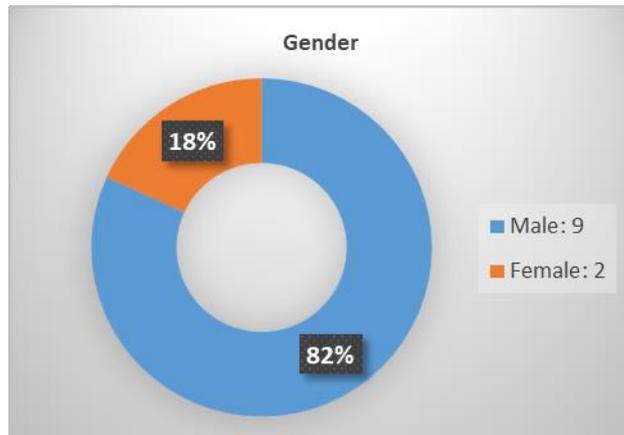
The Group Secretary ensures that all appointments are properly made and that all necessary information is obtained from the Directors, both for the Company's own records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

Overview of the Board Diversity is shown below:

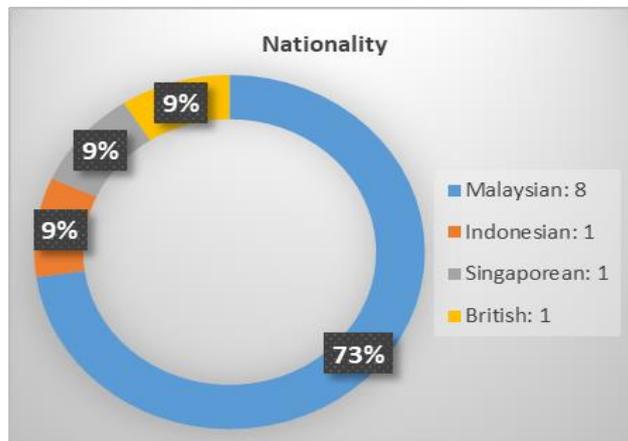
i. **Age Group**



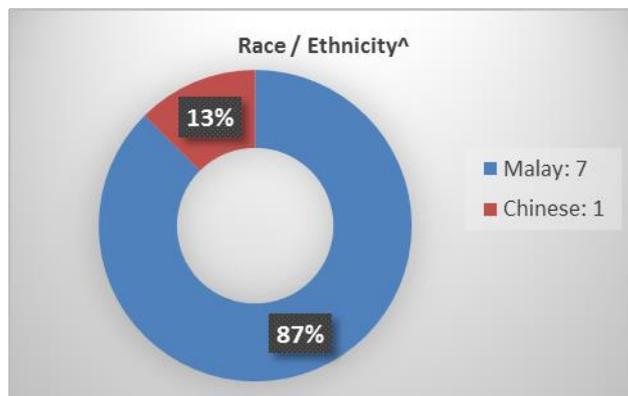
ii. Gender



iii. Nationality

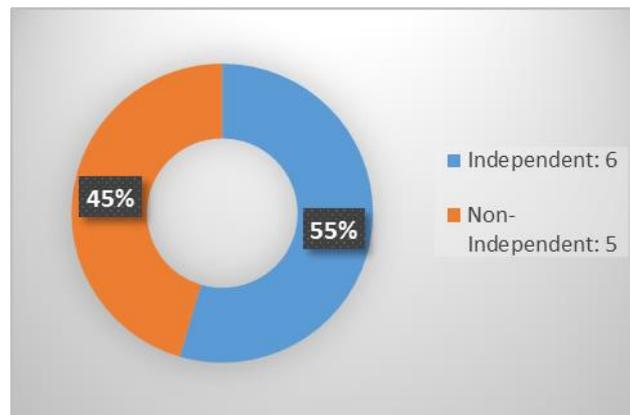


iv. Race/Ethnicity^



Note: ^ Not applicable to foreign Directors

**v. Independent**



Further information on the Directors' background and experience are available on SD Plantation's website at [www.simedarbyplantation.com](http://www.simedarbyplantation.com).

The Board will continuously enhance the Board's composition in line with the evolving circumstances and needs of the Group given its size, business diversity and geography.

**2. Appointment of Key/Senior Management**

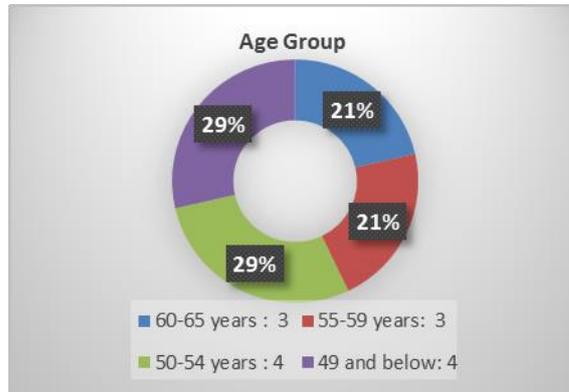
The NRC's Nomination functions and duties on the appointment of Key Management Positions include the following:

- Review and recommend to the Board the appointment, evaluation, acceptance of resignation, disciplinary actions and termination of the Executive Deputy Chairman & Managing Director (EDCMD) position;
- Review and if deemed appropriate, endorse for the Board's approval, the recommendations of the EDCMD on the appointment, evaluation, promotion, acceptance of resignation, disciplinary actions and termination of the key Management positions of SD Plantation and the Group;
- In the case of the Chief Financial Officer position, the NRC shall interview the candidate(s) as part of the review process. The NRC reserves the right to interview any key Management position candidate recommended by the EDCMD; and
- Ensure that appointments of key Management positions are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

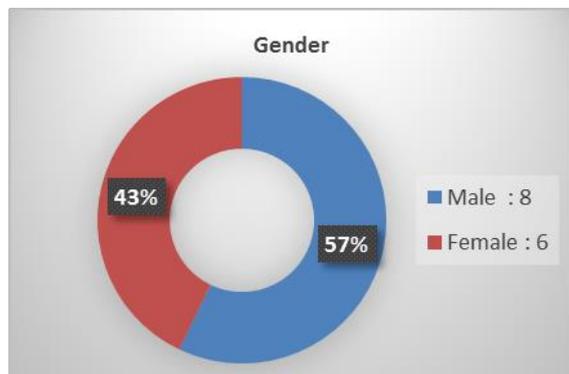
As part of the Group's succession programme, the Board had approved the appointment of Encik Mohamad Helmy Othman Basha as the Deputy to the Managing Director effective from 1 January 2019. The role is in addition to his existing role as the Chief Operating Officer, Upstream.

The Group's Senior Management, with an average of about 15 years of experience in the plantation industry, has the ability to drive the Company through the next phase of growth by innovating, executing and creating value. The Senior Management profiles are as follows:

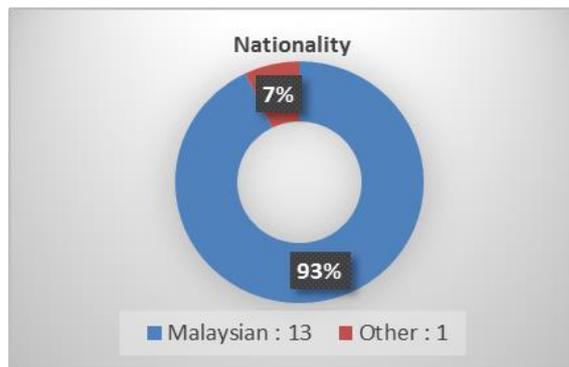
i. Age Group



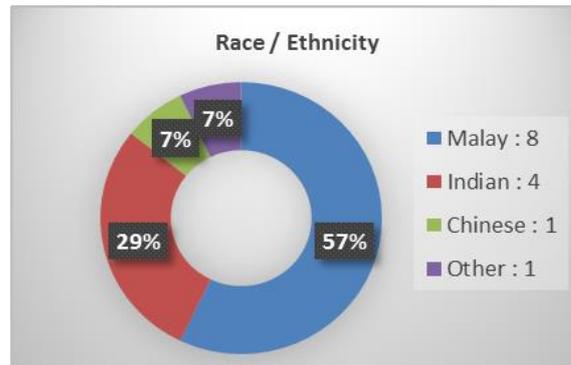
ii. Gender



iii. Nationality



**iv. Race/Ethnicity**



The Company's EDCMD is supported by 13 other Senior Management in the Management Committee, as follows:

- a) Deputy to the Managing Director and Chief Operating Officer, Upstream\*;
- b) Chief Advisor & Value Officer;
- c) Chief Financial Officer;
- d) Chief Operating Officer, Downstream;
- e) Chief Sustainability Officer;
- f) Chief Human Resources Officer;
- g) Chief Research & Development Officer;
- h) Chief Strategy & Innovation Officer;
- i) Group Secretary;
- j) Group General Counsel;
- k) Chief Communications Officer;
- l) Chief Integrity & Assurance Officer; and
- m) Chief Risk Officer.

*(Note \*: Assumed the role of Deputy to the Managing Director effective 1 January 2019.)*

The Senior Management's background and experience is available on SD Plantation's website at [www.simedarbyplantation.com](http://www.simedarbyplantation.com).

**Explanation :**  
**for**  
**departure**

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

**Measure :**

**Timeframe :**

## Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Departure																		
<b>Explanation on application of the practice</b>	:																			
<b>Explanation for departure</b>	:	<p>A Board Composition Policy has been established to set out the approach of the Board on the composition of the Board of Directors of the Company. This Policy has been prepared to address the specific requirements of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities) and the Malaysian Code on Corporate Governance (MCCG) 2017 and in cognisance of any directive/regulations announced, where relevant.</p> <p>The Board believes that the current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to effectively govern the Group.</p> <p>Currently, the Company has two (2) or 18% women directors. Nevertheless, the Board is highly committed to achieving and sustaining high standards of corporate governance and endeavours to comply with the Practice to achieve diversity in our boardroom. This is clearly specified in our Board Composition Policy, which states that the Board will maintain at least 2 women Directors on the Board and will actively work towards having a minimum of 30% women as members of the Board by 31 December 2020.</p> <p><b>Board of Directors</b></p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Gender</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Tan Sri Dato' Abdul Ghani Othman</td> <td>Male</td> </tr> <tr> <td>2</td> <td>Tan Sri Dato' Seri Mohd Bakke Salleh</td> <td>Male</td> </tr> <tr> <td>3</td> <td>Tan Sri Datuk Dr. Yusof Basiran</td> <td>Male</td> </tr> <tr> <td>4</td> <td>Muhammad Lutfi</td> <td>Male</td> </tr> <tr> <td>5</td> <td>Datuk Zaiton Mohd Hassan</td> <td>Female</td> </tr> </tbody> </table>	No.	Name	Gender	1	Tan Sri Dato' Abdul Ghani Othman	Male	2	Tan Sri Dato' Seri Mohd Bakke Salleh	Male	3	Tan Sri Datuk Dr. Yusof Basiran	Male	4	Muhammad Lutfi	Male	5	Datuk Zaiton Mohd Hassan	Female
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4	Muhammad Lutfi	Male																		
5	Datuk Zaiton Mohd Hassan	Female																		

	6	Dato' Mohd Nizam Zainordin	Male
	7	Dato' Mohamad Nasir Ab Latif	Male
	8	Zainal Abidin Jamal	Male
	9	Tan Ting Min	Female
	10	Lou Leong Kok	Male
	11	Dato' Henry Sackville Barlow	Male
	<p>The Board Composition Policy is available in the Governance Section on SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p> <p>The Board will maintain at least 2 women Directors on the Board and will actively work towards having a minimum of 30% women as members of the Board by December 2020.</p>		
<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>	:	The Board will continuously enhance its composition in line with the evolving circumstances and needs of the Company given its size, business diversity and geography. With respect to gender diversity, the Board will maintain at least 2 women Directors on the Board and will actively work towards having a minimum of 30% women as members of the Board by December 2020.	
<b>Timeframe</b>	:	31 December 2020	

## 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 Company has a combined Nomination and Remuneration Committee. The Board has delegated the responsibility to establish a formal and transparent procedure for the nomination and appointment of new directors to the Nomination &amp; Remuneration Committee (NRC).</p> <p>This is further specified in the NRC's Terms of Reference requiring the Committee to identify, consider and recommend suitable persons for appointment as Directors of the Group and members of the Board Committees, relying on sources from existing Board members, Management, major shareholders, independent search firms and other independent sources.</p> <p>Prior to the listing of SD Plantation in November 2017, potential directors were identified and recommended by Board members, Management and major shareholders. In addition, an independent international recruiter was engaged to source for suitable talents to be considered for appointments to the Board of the Company.</p> <p>An Interview Panel comprising NRC members was formed and tasked with interviewing shortlisted candidates, where the NRC then considered the composition of the Board and Board Committees based on the recommendation of the Interview Panel.</p>
<b>Explanation for departure</b>	:	
<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>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied																												
<b>Explanation on application of the practice</b>	:	<p>The membership of the NRC is set out in the Committee's Terms of Reference (TOR). The NRC members shall be appointed by the Board from amongst their number and shall consist of not less than four (4) members, all of whom shall be Non-Executive Directors, and a majority of whom shall be Independent Directors.</p> <p>The Chairman of the NRC, Tan Sri Datuk Dr. Yusof Basiran, is an Independent Non-Executive Director. The list of NRC members is shown below:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Member</th> <th>Directorship</th> <th>Designation</th> </tr> </thead> <tbody> <tr> <td>1</td> <td><b>Tan Sri Datuk Dr. Yusof Basiran</b></td> <td><b>Independent Non-Executive Director</b></td> <td><b>Chairman</b></td> </tr> <tr> <td>2</td> <td>Datuk Zaiton Mohd Hassan</td> <td>Senior Independent Non-Executive Director</td> <td>Member</td> </tr> <tr> <td>3</td> <td>Dato' Mohd Nizam Zainordin</td> <td>Non-Independent Non-Executive Director</td> <td>Member</td> </tr> <tr> <td>4</td> <td>Dato' Henry Sackville Barlow <sup>(1)</sup></td> <td>Independent Non-Executive Director</td> <td>Member</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>No.</th> <th>Former Member</th> <th>Directorship</th> <th>Designation</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Dato' Che Abdullah @ Rashidi Che Omar<sup>(2)</sup></td> <td>Independent Non-Executive Director</td> <td>Member</td> </tr> </tbody> </table> <p><u>Notes</u></p> <p>1 Dato' Henry Sackville Barlow was appointed as a Member of the NRC on 5 April 2019</p> <p>2 Dato' Che Abdullah @ Rashidi Che Omar had retired at the conclusion of the Fifteenth Annual General Meeting of the Company on 21 November 2018.</p> <p>The NRC's TOR is available in the Governance section on SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>	No.	Member	Directorship	Designation	1	<b>Tan Sri Datuk Dr. Yusof Basiran</b>	<b>Independent Non-Executive Director</b>	<b>Chairman</b>	2	Datuk Zaiton Mohd Hassan	Senior Independent Non-Executive Director	Member	3	Dato' Mohd Nizam Zainordin	Non-Independent Non-Executive Director	Member	4	Dato' Henry Sackville Barlow <sup>(1)</sup>	Independent Non-Executive Director	Member	No.	Former Member	Directorship	Designation	1	Dato' Che Abdullah @ Rashidi Che Omar <sup>(2)</sup>	Independent Non-Executive Director	Member
No.	Member	Directorship	Designation																											
1	<b>Tan Sri Datuk Dr. Yusof Basiran</b>	<b>Independent Non-Executive Director</b>	<b>Chairman</b>																											
2	Datuk Zaiton Mohd Hassan	Senior Independent Non-Executive Director	Member																											
3	Dato' Mohd Nizam Zainordin	Non-Independent Non-Executive Director	Member																											
4	Dato' Henry Sackville Barlow <sup>(1)</sup>	Independent Non-Executive Director	Member																											
No.	Former Member	Directorship	Designation																											
1	Dato' Che Abdullah @ Rashidi Che Omar <sup>(2)</sup>	Independent Non-Executive Director	Member																											
<b>Explanation for departure</b>	:																													

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

## Intended Outcome

Stakeholders are able to 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>The Nomination &amp; Remuneration Committee (NRC) assists the Board in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and each Board Committee (including its size and composition), as well as the contribution of each individual Director. The method/approach of the assessment and outcome of the evaluation are documented and disclosed in the annual report.</p> <p>The NRC develops, maintains and reviews the criteria for evaluating the Board's, Board Committees', and each individual Director's performance. This evaluation is undertaken annually. The NRC ensures that appropriate actions are taken based on the results of the annual assessments to continuously enhance the Board's overall performance and identify opportunities for improvement.</p> <p>The Board conducts the annual review of the term of office and performance of the Governance &amp; Audit Committee (GAC) and each of its members to determine whether the GAC and its members have carried out the duties in accordance with its terms of reference.</p> <p>The Board has endorsed the following assessment criteria for the Board Evaluation Assessment 2018 (BEA 2018):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Questionnaire</th> <th>Assessment Criteria</th> </tr> </thead> <tbody> <tr> <td>Board Evaluation</td> <td>Board structure, operations, roles and responsibilities and the Chairman's roles and responsibilities.</td> </tr> <tr> <td>Board Committees Evaluation</td> <td>Board Committees' composition, relevant expertise, Board Committee Chairman's competency and responsibilities, reporting and recommendation to the Board.</td> </tr> </tbody> </table>	Questionnaire	Assessment Criteria	Board Evaluation	Board structure, operations, roles and responsibilities and the Chairman's roles and responsibilities.	Board Committees Evaluation	Board Committees' composition, relevant expertise, Board Committee Chairman's competency and responsibilities, reporting and recommendation to the Board.
Questionnaire	Assessment Criteria							
Board Evaluation	Board structure, operations, roles and responsibilities and the Chairman's roles and responsibilities.							
Board Committees Evaluation	Board Committees' composition, relevant expertise, Board Committee Chairman's competency and responsibilities, reporting and recommendation to the Board.							

		Questionnaire	Assessment Criteria
		Director's Peer Evaluation	Individual Directors' qualification, experience, knowledge, contribution, performance, calibre and personality.
		<p>The BEA 2018 was conducted internally through questionnaires. The questionnaires were based on the Corporate Governance Guide (3rd Edition) on the Guidance on Board Leadership and Effectiveness issued by Bursa Malaysia Securities Berhad.</p> <p>In view that the BEA 2018 was recently undertaken, the effectiveness of the Board and Board Committees for the period from 1 July 2018 to 31 December 2018 and for the financial year ending 31 December 2019 (FY2019) will be undertaken in the fourth quarter of FY2019 (BEA 2019). The Company will consider engaging an external independent third party to conduct the BEA 2019.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

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

### Practice 6.1

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>All matters pertaining to Directors and Senior Management remuneration are under the purview of the Board's Nomination &amp; Remuneration Committee (NRC). In general, the NRC ensures that compensation policies and packages of Directors and Senior Management are reflective of the Group's demands, complexities and performance as a whole, as well as skills and experience required, and in line with the strategic objectives of the Company which rewards contribution to the long-term success of the Company.</p> <p>The primary objectives of the NRC's specific 'Remuneration' function are:</p> <ul style="list-style-type: none"> <li>• To recommend to the Board the remuneration framework for the Non-Executive Directors including the Non-Executive Chairman.</li> <li>• To set the policies and procedures on the remuneration framework, including reviewing and making recommendations to the Board on all elements relating to remuneration, terms of employment, reward structure and benefits for the Executive Deputy Chairman &amp; Managing Director (EDCMD), Executive Directors, and other key Management positions.</li> <li>• To set the policy and remuneration framework for employees of the Group.</li> </ul> <p>The remuneration framework for the Board and Board Committees is aligned to the complexity and leadership position of the Company and benchmarked against regional companies, which are comparable to SD Plantation in terms of size and similar nature of business. This is to ensure that the Board and Board Committees members are competitively remunerated.</p>

1. The salient elements of the Directors' remuneration policy are outlined below:

<b>Non-Executive Directors</b>	<b>Executive Director</b>
Fixed annual Directors' fees as members of the Board and Board Committees.	The NRC considers and recommends to the Board for approval the framework for the Executive Director's remuneration and the final remuneration package.
Level of remuneration reflects the level of responsibilities undertaken by the Non-Executive Director. The Company also reimburses reasonable expenses incurred by the Directors in the course of their duties.	Components of the remuneration are structured to link rewards to corporate and individual performance.  Performance is measured against profits and other targets set in accordance with the Company's annual budget and plans.
The remuneration package comprises fees, benefits-in-kind and other emoluments.	

#### Non-Executive Directors

Remuneration for the Non-Executive Directors of the Board and as members of the Board Committees, in the form of fees, for the Financial Period Ended 31 December 2018 is tabulated below:

<b>Board/Board Committee</b>	<b>Chairman (RM/Year)</b>	<b>Member (RM/Year)</b>
<b>Board</b>	600,000	240,000 <sup>1</sup> 400,000 <sup>2</sup>
<b>Governance &amp; Audit Committee</b>	80,000	50,000
<b>Nomination &amp; Remuneration Committee</b>	60,000	35,000
<b>Risk Management Committee</b>	60,000	35,000
<b>Sustainability Committee</b>	60,000	35,000
<b>Board Tender Committee</b>	60,000	35,000

Notes:

<sup>1</sup> Fee for Resident Director

<sup>2</sup> Fee for Non-Resident Director

	<p><u>Executive Director</u></p> <p>The Executive Director’s remuneration package comprises the following components:</p> <div data-bbox="512 349 1366 855" style="text-align: center;"> <p>The diagram illustrates the composition of the Executive Director's remuneration package. It is divided into two main categories: Fixed Remuneration and Variable Remuneration, which are summed to form the Total Remuneration.</p> <ul style="list-style-type: none"> <li><b>Fixed Remuneration:</b> Includes Basic Salary and Benefits. This component is recommended by the NRC and approved by the Board, with considerations for performance, consumer price index, and similar positions in other companies.</li> <li><b>Variable Remuneration:</b> Includes a Short Term Bonus scheme and Retirement provisions. This component is also recommended by the NRC and approved by the Board, with considerations for the performance outcome of the Group and individual performance.</li> </ul> <p>The total remuneration is the sum of these two components.</p> </div> <p>2. Remuneration of other Senior Management personnel is determined based on similar remuneration principles as the Executive Director.</p> <p>The Directors and Senior Management remuneration policies are periodically reviewed and available in the Governance section on SD Plantation’s website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established the Nomination &amp; Remuneration Committee (NRC) with a majority of Independent Non-Executive Directors and the Committee is chaired by an Independent Non-Executive Director, Tan Sri Datuk Dr. Yusof Basiran.</p> <p>Amongst the NRC's specific Remuneration functions and duties outlined in its Terms of Reference (TOR) are:</p> <ul style="list-style-type: none"><li>a) Review and recommend to the Board a formal and transparent remuneration policy and framework for Directors and Senior Management of SD Plantation and the Group drawing on external consultants' advice as necessary;</li><li>b) Review and if deemed appropriate, endorse for the Board's approval, the annual bonus and salary increment framework for the Group, as recommended by the Executive Deputy Chairman &amp; Managing Director (EDCMD), including the total quantum of payment;</li><li>c) Review and recommend to the Board the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the EDCMD position;</li><li>d) Review and if deemed appropriate, endorse for the Board's approval, the recommendations of the EDCMD on the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the key Management positions;</li><li>e) Review and recommend the extension of service, remuneration and compensation and benefits packages of the key Management positions who have reached the age of retirement; and</li><li>f) Periodically review the remuneration framework, policies and procedures.</li></ul>

	The NRC's TOR was last reviewed and updated on 5 April 2019 and further details on the NRC's authorities and duties are specified in its TOR, which is accessible in the Governance section on the SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a> .	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	: Applied				
<b>Explanation on application of the practice</b>	: The total Directors' fees, salary (including other remuneration) and benefits-in-kind paid to our Directors for their services rendered to the Group for the Financial Period Ended 31 December 2018 are as follows:				
	<b>Name</b>	<b>Salary &amp; Other Remuneration</b>	<b>Total Directors' Fees</b>	<b>Benefits -in-kind<sup>1</sup></b>	<b>Total</b>
		<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
	<b>Executive Director</b>				
	Tan Sri Dato' Seri Mohd Bakke Salleh	2,762	N/A <sup>4</sup>	29	2,791
	<b>Non-Executive Directors</b>				
	Tan Sri Dato' Abdul Ghani Othman <sup>2</sup>	N/A <sup>4</sup>	302	36	338
	Tan Sri Datuk Dr Yusof Basiran		292	18	310
	Muhammad Lutfi <sup>3</sup>		245	14	259
	Lou Leong Kok <sup>3</sup>		219	1	220
	Datuk Zaiton Mohd Hassan		197	15	212
	Tan Ting Min		182	5	187
	Zainal Abidin Jamal		169	16	185
	Dato' Mohd Nizam Zainordin		164	1	165
	Dato' Mohamad Nasir Ab. Latif		138	1	139
	<i>Notes:</i>				
	<sup>1</sup> Certain benefit such as Company Car and Petrol are only provided to the former Directors of Sime Darby Berhad until 1 December 2018. Other benefits-in-kind include Healthcare, Insurance & Mobile Phone				
	<sup>2</sup> Including Driver for Chairman				
	<sup>3</sup> Non-Resident Director				
	<sup>4</sup> N/A – Not Applicable				

	<p>Details of remuneration (including benefits-in-kind) for a Director who had retired on 21 November 2018 are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th>Salary &amp; Other Remuneration</th> <th>Total Directors' Fees</th> <th>Benefits -in-kind<sup>1</sup></th> <th>Total</th> </tr> <tr> <th>(RM'000)</th> <th>(RM'000)</th> <th>(RM'000)</th> <th>(RM'000)</th> </tr> </thead> <tbody> <tr> <td>Dato' Che Abdullah @ Rashidi Che Omar</td> <td>N/A<sup>2</sup></td> <td>245</td> <td>1</td> <td>246</td> </tr> </tbody> </table> <p>Notes:  <sup>1</sup> Benefits-in-kind include Healthcare, Insurance &amp; Mobile Phone  <sup>2</sup> Not Applicable</p>				Name	Salary & Other Remuneration	Total Directors' Fees	Benefits -in-kind <sup>1</sup>	Total	(RM'000)	(RM'000)	(RM'000)	(RM'000)	Dato' Che Abdullah @ Rashidi Che Omar	N/A <sup>2</sup>	245	1	246
Name	Salary & Other Remuneration	Total Directors' Fees	Benefits -in-kind <sup>1</sup>	Total														
	(RM'000)	(RM'000)	(RM'000)	(RM'000)														
Dato' Che Abdullah @ Rashidi Che Omar	N/A <sup>2</sup>	245	1	246														
<b>Explanation for departure</b> :																		
<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> :																		
<b>Timeframe</b> :																		

## Intended Outcome

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

## Practice 7.2

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>	:	Applied																														
<b>Explanation on application of the practice</b>	:	<p>The disclosure on the remuneration (inclusive of salary, bonus, benefits in-kind and other emoluments) of the Company's top five Senior Management personnel, excluding the Executive Deputy Chairman &amp; Managing Director who is an Executive Director, for the Financial Period Ended 31 December 2018 is shown below:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Salary &amp; Other Emoluments<sup>1</sup> (RM'000)</th> <th>Defined Contribution Plan<sup>2</sup> (RM'000)</th> <th>Benefits-in-Kind<sup>3</sup> (RM'000)</th> <th>Total Remuneration (RM'000)</th> </tr> </thead> <tbody> <tr> <td>Mohamed Helmy Othman Basha</td> <td>700 - 750</td> <td>100 - 150</td> <td>0 - 50</td> <td>850 - 900</td> </tr> <tr> <td>Datuk Franki Anthony Dass</td> <td>900 - 950</td> <td>100 - 150</td> <td>0 - 50</td> <td>1,050 - 1,100</td> </tr> <tr> <td>Renaka Ramachandran</td> <td>800 - 850</td> <td>100 - 150</td> <td>0 - 50</td> <td>950 - 1,000</td> </tr> <tr> <td>Mohd Haris Mohd Arshad</td> <td>650 - 700</td> <td>100 - 150</td> <td>0 - 50</td> <td>750 - 800</td> </tr> <tr> <td>Dr. Simon Lord</td> <td>1,250 - 1,300</td> <td>0</td> <td>0 - 50</td> <td>1,300 - 1,350</td> </tr> </tbody> </table> <p><i>Notes:</i>  <sup>1</sup> Salary &amp; other emoluments include salary, allowances, bonus and other benefits  <sup>2</sup> Defined Contribution plan comprises employer contribution on SOCSO, Employee Insurance Scheme (EIS) and EPF  <sup>3</sup> Benefits-in-kind comprises the provision of car, petrol &amp; driver, mobile phone usage and utilities</p>	Name	Salary & Other Emoluments <sup>1</sup> (RM'000)	Defined Contribution Plan <sup>2</sup> (RM'000)	Benefits-in-Kind <sup>3</sup> (RM'000)	Total Remuneration (RM'000)	Mohamed Helmy Othman Basha	700 - 750	100 - 150	0 - 50	850 - 900	Datuk Franki Anthony Dass	900 - 950	100 - 150	0 - 50	1,050 - 1,100	Renaka Ramachandran	800 - 850	100 - 150	0 - 50	950 - 1,000	Mohd Haris Mohd Arshad	650 - 700	100 - 150	0 - 50	750 - 800	Dr. Simon Lord	1,250 - 1,300	0	0 - 50	1,300 - 1,350
Name	Salary & Other Emoluments <sup>1</sup> (RM'000)	Defined Contribution Plan <sup>2</sup> (RM'000)	Benefits-in-Kind <sup>3</sup> (RM'000)	Total Remuneration (RM'000)																												
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<b>Explanation for departure</b>	:																															

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### **Intended Outcome**

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

### **Practice 7.3 - 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>Paragraph 2.6 of the Governance &amp; Audit Committee's (GAC) Terms of Reference states that the Chairman of the GAC shall be an Independent Non-Executive Director appointed by the Board, who is not the Chairman of the Board.</p> <p>The Company's GAC Chairman is Datuk Zaiton Mohd Hassan, who is the Senior Independent Non-Executive Director thus reflecting the requirement under this Practice 8.1.</p> <p>The Board Chairman is a Non-Independent Non-Executive Director, Tan Sri Dato' Abdul Ghani Othman.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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>Paragraph 2.5 of the Governance &amp; Audit Committee’s (GAC) Terms of Reference states, “No former key audit partner shall be appointed as a member of the GAC before observing a cooling-off period of at least two (2) years”.</p> <p>None of the members of the GAC is a former key audit partner that requires the cooling-off period of two years.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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 Board, through the Governance &amp; Audit Committee (GAC), has put in place a process to select and appoint the Company's external auditor. Paragraph 4.4.2 of the GAC's Terms of Reference specifies the GAC's duty to assess and monitor the performance, suitability, objectivity, and independence of the external auditor, periodically.</p> <p>In recommending the external auditor for re-appointment at the Annual General Meeting of the Company, the GAC has established a policy on 'External Auditor Appointment and Selection' that outlines the criteria for the GAC to assess the suitability, objectivity, performance and independence of the external auditors. The criterion includes, among others:</p> <ol style="list-style-type: none"> <li>a) The competence, audit quality and resource capacity of the external auditor in relation to the audit;</li> <li>b) The nature and extent of the non-audit services rendered and appropriateness of the level of fees; and</li> <li>c) Obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</li> </ol> <p>The performance and independence of the external auditor were assessed via an agreed methodology using the aforesaid criteria, the results of which were tabled to the GAC at its meeting on 2 April 2019 for deliberation and recommendation to the Board.</p>
<b>Explanation for departure</b>	:	
<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>	:	

<b>Timeframe</b>	:		
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### **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>	:	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 8.5

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><b>1. Governance &amp; Audit Committee (GAC) Members Skills</b></p> <p>Among the main functions and duties of the Company's GAC are:</p> <ul style="list-style-type: none"><li>a) Financial reporting and performance oversight;</li><li>b) Oversight of Group Integrity, Governance and Assurance and controls Environment;</li><li>c) Governance oversight;</li><li>d) Assess and monitor the performance, suitability, objectivity and independence of the external auditor;</li><li>e) Review and report to the Board any related party transaction; and</li><li>f) Other matters, including undertaking any other function as may be determined by the Board from time to time.</li></ul> <p>Further details on the functions and duties of the GAC are outlined in its Terms of Reference (TOR), which is accessible in the Governance section on SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p> <p><u>The GAC Chairman</u></p> <p><b>Datuk Zaiton Mohd Hassan</b> is a Fellow and Council Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom. She is also a member of the Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA), and International Federation of Accountants (IFAC) Professional Accountants in Business (PAIB) Committee.</p> <p><u>Members of GAC</u></p> <ul style="list-style-type: none"><li>a) <b>Dato' Mohd Nizam Zainordin</b> obtained his Association of Chartered Certified Accountants, United Kingdom qualification in 1989 and an Executive Masters in Business Administration from Asian Institute of Management in 1999. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom</li></ul>

since 1993, a member of the Malaysian Institute of Accountants since 1996 and a Certified Financial Planner since 2002. He has over 20 years of experience in the finance sector;

- b) **Tan Ting Min** obtained her Bachelor and Master of Arts degrees from the University of Cambridge, United Kingdom in 1991 and 1994, respectively. She was the regional plantation sector team lead in Credit Suisse from 1998 to 2017 and has covered the plantation sector for close to 25 years. When she was the Head of Equity Research in Credit Suisse (2010-2017), she had written extensively on equity investment strategy in Malaysia, based on economics, political, and macro fundamentals.;
- c) **Dato' Henry Sackville Barlow** obtained his Bachelor and Master of Arts degrees from the University of Cambridge, United Kingdom. He is also a Fellow of the Institute of Chartered Accountants in England and Wales. Dato' Barlow has over 35 years of experience in the plantation industry. Presently, he is Joint Chair of the Grievance Committee of the Roundtable on Sustainable Palm Oil (RSPO); and
- d) **Dato' Rashidi Che Omar**, who retired at the last Annual General Meeting held on 21 November 2018, has over 45 years of experience in the plantation sector. He possesses a Diploma in Plantation Management from the Universiti Teknologi MARA.

The GAC composition meets the requirement of Paragraph 15.09(1)(c) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), which stipulates that at least one member of the Audit Committee must be a qualified accountant.

Collectively, the GAC members are qualified individuals having the required skills and expertise to discharge the Committee's functions and duties. The GAC members' financial acumen has contributed to the GAC's discussion in upholding the integrity of the Company's financial reporting process and financial statements.

Further details of the GAC members, which comprise a majority of Independent Non-Executive Directors, are available under the Board of Directors section on the Company's website at [www.simedarbyplantation.com](http://www.simedarbyplantation.com).

## **2. The GAC Members' Professional Development**

The GAC members attended continuous professional development programmes to keep themselves abreast of relevant development in accounting and auditing standards, practices and rules. A summary of the continuous professional development programmes attended by the GAC members for the Financial Period Ended 31 December 2018 is set out below:

	<b>Name</b>	<b>Continuous Professional Development (CPD) Programme</b>
	Datuk Zaiton Mohd Hassan	<ul style="list-style-type: none"> <li>a) ACCA Malaysia Annual Conference;</li> <li>b) 1st PIDM - FIDE FORUM Dialog</li> <li>c) ACCA Malaysia FPLC Women on Board Networking;</li> <li>d) SC Malaysia Industry Dialogue 2018;</li> <li>e) BIMB Investment - Presentation on Arabesque Investment Strategy; and</li> <li>f) McKinsey &amp; Company, Inc. (Malaysia), "Achieving Market Leadership – Strategy Beyond The Hockey Stick".</li> </ul>
	Dato' Mohd Nizam Zainordin	<ul style="list-style-type: none"> <li>a) PNB, Corporate Exercise and Asset Pricing in Malaysia;</li> <li>b) PNB, Customized Essential Environment First Aid &amp; CPR Training;</li> <li>c) PNB, Corporate Exercise &amp; Asset Pricing In Malaysia (Renegotiation and Re-Contracting);</li> <li>d) PNB World Mental Health Day 2018;</li> <li>e) PNB AMLATFPUAA 2001: The Law, Compliance &amp; Case Studies for Senior Management;</li> <li>f) YTI Memorial Lecture "Redefining Financial Integrity &amp; PNB Launch" In Trust: A History of PNB; and</li> <li>g) McKinsey &amp; Company, Inc. (Malaysia), "Achieving Market Leadership – Strategy Beyond The Hockey Stick".</li> </ul>
	Tan Ting Min	<ul style="list-style-type: none"> <li>a) IJM Corporation, Sales &amp; Service Tax Talk by PricewaterhouseCoopers Tax Advisory Sdn. Bhd.;</li> <li>b) Bursa Malaysia, Sustainability Engagement Series for Directors/Chief Executive Officers 2018;</li> <li>c) IJM Corporation, New Era of Corporate Liability Under Malaysian Anti Bribery Laws by Wong &amp; Partners;</li> <li>d) Bursa Malaysia/ICLIF, Breakfast Series "Non-Financials: Does It Matter?"; and</li> <li>e) McKinsey &amp; Company, Inc. (Malaysia), "Achieving Market Leadership – Strategy Beyond The Hockey Stick".</li> </ul>
<b>Explanation for departure</b> :		

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

## Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has an overall responsibility for the Group's risk management and internal control systems and is focused on setting the tone and culture towards their effectiveness. Successful integration of good governance structures and processes with performance-focused risk management and internal control at every level of the Group and across our operations has been key towards the effective pursuit of our objectives.</p> <p>The Risk Management Committee (RMC), along with the Governance &amp; Audit Committee (GAC), have been delegated with the responsibility of overseeing the effectiveness of risk management and internal control systems on behalf of the Board, and also to advise the Board on the principal risks facing the business including those that would threaten its solvency or liquidity.</p> <p>The RMC supports the Board by setting and overseeing the Risk Management Framework of the Group and regularly assessing such Risk Management Framework to ascertain its adequacy and effectiveness.</p> <p>The GAC on the other hand, among others, oversees the internal control framework to ensure operational effectiveness and adequate protection of SD Plantation's and the Group's assets from misappropriation.</p> <p>The Board comprehends that its focus on effective risk oversight is critical to setting the tone and culture towards effective risk management and internal control. The risk management and internal control systems are intertwined with the Group's operating activities and exist for fundamental business reasons.</p> <p>Complementing the RMC and GAC, the other relevant Board Committees provide oversight of specific risk areas. The Sustainability Committee has oversight of areas such as health and safety and sustainability, the Nomination &amp; Remuneration Committee has oversight over senior management's performance and remuneration, whereas the Tender Committee has oversight over the Group's</p>

	<p>significant tender purchases.</p> <p>Management is responsible for implementing Board-approved frameworks, policies and procedures on risk management and internal control. Management is also responsible for the management of risks for the Group and ensure that an appropriate system of delegation and accountability is in place for risk management in their respective areas of responsibility.</p> <p>Further information on the Group’s risk management framework and internal control system are disclosed in the Statement of Risk Management and Internal Control (SORMIC) of the Annual Report for the Financial Period Ended 31 December 2018, which is available on SD Plantation’s website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

## Intended Outcome

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

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

## Practice 9.2

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Company's risk management and internal control structure consists of three lines of defence; a) First Line of Defence, b) Second Line of Defence, and c) Third Line of Defence. These three (3) lines of defence in the exercise of their functions are designed to reinforce each other in the implementation and strengthening of the Company's Risk Management and Internal Control Framework.</p> <p><b>1. RISK MANAGEMENT FRAMEWORK</b></p> <p>Our Risk Management Framework is aligned with ISO31000:2018 standard on risk management, which promulgates 3 facets of risk management.</p> <p>The primary goal of the Risk Management Framework is to identify, evaluate and manage risks that would impede the achievement of the Group's long-term and short-term strategies and objectives. Creating and protecting value is the key driver of risk management. The Risk Management Framework is also aligned with COSO 2017 Enterprise Risk Management— Integrating with Strategy and Performance which clearly underscores our commitment towards enterprise risk management in strategic planning and our will to embed risk management throughout the organisation.</p> <p><u>Group Business Continuity Framework</u></p> <p>Our Business Continuity Framework was established during the financial period and is aligned with ISO22301:2012 standard on business continuity management systems. It covers end to end guidance to assist with managing a crisis event.</p> <p><u>Risk Reporting</u></p> <p>The Risk Management Framework provides for consistent review and reporting. On a quarterly basis, formal risk reports are developed and presented to the Management Committee and Board's Risk Management Committee (RMC). Any potential risks identified are escalated as appropriate, with mitigation actions put in place to manage such risks. Significant risks affecting the business as well as</p>

	<p>periodic external and emerging risk outlooks are presented to the RMC.</p> <p><b>2. INTERNAL CONTROL FRAMEWORK</b></p> <p>Our Group Policies and Authorities (GPAs) represent a formal delegation of the Board’s powers and functions to Management and enables the Board to facilitate a robust control environment entailing clear lines of responsibility, accountability and authority limits. The GPAs are broadly categorised as follows:</p> <ul style="list-style-type: none"> <li>• Functional policies that describe the approach taken to achieve corporate objectives;</li> <li>• Standards of ethical behaviour and business conduct that are necessary to establish sustainable business practices and enhance the image of the Group;</li> <li>• Policies that safeguard the integrity of the Group’s physical and intangible assets;</li> <li>• Policies to ensure the effective functioning of key processes; and</li> <li>• Authorisation limits to enter into financial commitments on behalf of the Group.</li> </ul> <p>The GPAs are reviewed and revised, as appropriate, on an annual basis to ensure that they are relevant to the current operating environment and reflect better intended practices. In addition to the core GPAs, various policies, procedures and guidelines are developed by relevant departments and business units to support the achievement of the principles stipulated in the GPAs, all of which, are mandatory to be complied with by all Directors and Employees of the Group.</p> <p>Further details of the Group’s risk management and internal control frameworks, which cover their adequacy and effectiveness of the frameworks, are disclosed in the Statement of Risk Management &amp; Internal Control (SORMIC) of the Annual Report for the Financial Period Ended 31 December 2018 and available on SD Plantation’s website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## Intended Outcome

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

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

### Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted															
<b>Explanation on adoption of the practice</b>	:	<p>The Risk Management Committee (RMC) is established as one of the Board Committees and is primarily responsible for assisting the Board in overseeing the risk management framework and policies within the Group and reviews the efficacy of internal controls within the Group.</p> <p>The RMC comprises of the following members, of which a majority of them are Independent Directors:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Name</th> <th style="width: 20%;">Designation</th> <th style="width: 50%;">Directorship</th> </tr> </thead> <tbody> <tr> <td>Zainal Abidin Jamal</td> <td>Chairman</td> <td>Non-Independent Non-Executive Director</td> </tr> <tr> <td>Datuk Zaiton Mohd Hassan</td> <td>Member</td> <td>Senior Independent Non-Executive Director</td> </tr> <tr> <td>Tan Ting Min</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Lou Leong Kok</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The main functions and duties of the RMC shall include but are not limited to the following:</p> <ol style="list-style-type: none"> <li>a) Provide oversight, direction and counsel to the Group's risk management process;</li> <li>b) Establish and periodically review the Group risk management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with them;</li> <li>c) Recommend for the Board's approval the Group's risk management framework, policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto;</li> <li>d) Evaluate the effectiveness of the Group Risk Management (GRM) structure, risk management processes and support system to identify, assess, monitor and manage the Group's key risks;</li> </ol>	Name	Designation	Directorship	Zainal Abidin Jamal	Chairman	Non-Independent Non-Executive Director	Datuk Zaiton Mohd Hassan	Member	Senior Independent Non-Executive Director	Tan Ting Min	Member	Independent Non-Executive Director	Lou Leong Kok	Member	Independent Non-Executive Director
Name	Designation	Directorship															
Zainal Abidin Jamal	Chairman	Non-Independent Non-Executive Director															
Datuk Zaiton Mohd Hassan	Member	Senior Independent Non-Executive Director															
Tan Ting Min	Member	Independent Non-Executive Director															
Lou Leong Kok	Member	Independent Non-Executive Director															

	<p>e) Review all major investment and project business cases in accordance with established thresholds in the approved Group Limits of Authority; and</p> <p>f) Review the statement on risk management and internal control in the Group's Annual Report to ensure that relevant information as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is disclosed. Disclosure in the annual report should include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place for the Group to mitigate and manage those risks.</p> <p>Further details on the functions and duties of the RMC are defined in its Terms of Reference, which is accessible in the Governance section on SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>
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## 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>	:	<p>Group Corporate Assurance (GCA) serves as the Company's in-house internal audit function. GCA is headed by the Chief Integrity &amp; Assurance Officer (CIAO) who also oversees the integrity and governance functions of the Company, in assisting the Board's Governance &amp; Audit Committee (GAC) in discharging its oversight role on governance and internal controls. In achieving an appropriate degree of independence from the operations of the Group, the CIAO functionally reports to the GAC and administratively to the Executive Deputy Chairman &amp; Managing Director (EDCMD).</p> <p>GCA's principal responsibility is to undertake regular and systematic reviews of the Group's internal control systems to provide reasonable assurance that such systems continue to operate satisfactorily and effectively throughout the Organisation.</p> <p>GCA has unrestricted access to all functions, records, documents, properties, personnel, policies and procedures at all levels throughout the Group.</p> <p>In the interest of maintaining their objectivity, GCA and its staff:</p> <ol style="list-style-type: none"> <li>a) Do not participate in any activity, engagement or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Group;</li> <li>b) Do not accept anything that may impair or be presumed to impair their professional judgment; and</li> <li>c) Disclose all material facts known to them which, if not disclosed, may distort the reporting of activities under review.</li> </ol> <p>Any GCA report, audit plans and other publications are not subject to the clearance of any management and staff external to GCA. The performance review of GCA and its members are also not subject to assessment by any management and staff within the Group external to the department, whether directly or indirectly.</p> <p>The GAC is responsible for the annual assessment of GCA's performance, as well as approves the GCA plan (including its financial budget) annually with periodic reviews to ensure clarity in business alignment, risk assessment and audit methodology and ensures</p>

robustness in the audit planning process. The GAC also approves the appointment or termination of the CIAO and senior members of the GCA function.

Further details on the functions and duties of the GAC related to governance, risk management and internal control as well as GCA matters are clearly defined in its Terms of Reference, which is accessible in the Governance section on SD Plantation's website at [www.simedarbyplantation.com](http://www.simedarbyplantation.com).

The CIAO reports the results of the audit activities to the GAC periodically (on a quarterly basis) for noting and takes directly to the Chairman of the GAC, matters which she believes to be of sufficient magnitude and importance that require the immediate attention of the GAC.

Potential breaches of the Group's Code of Business Conduct, fraudulent activities, significant internal control deficiencies, questionable accounting transactions, and the actions taken on the recommendations of GCA are reported to the GAC as soon as these are identified. The GAC has the power to make and request for independent assessments, reviews and audits when it deems appropriate, and could engage external auditors and/or experts to assist it in the process.

All internal audit activities during the financial period were conducted by GCA. Nevertheless, where required, GCA may engage and co-source with external audit firms to complement audit coverage and/or subject matter experts in more specific technical areas.

In accordance with GAC's Terms of Reference, the GAC had in April 2019, conducted an annual assessment of the performance of the GCA function and CIAO by reviewing the Financial Period Ended 31 December 2018 scorecard results. The GAC was satisfied with the competency, experience and resources of the GCA function in discharging its role and responsibilities.

The Quality Assurance & Improvement Programme continues to be used to assess the quality of audit process adopted. It is an ongoing and periodic assessment that covers key activities within GCA's activities. The programme focuses on the efficiency and effectiveness of audit processes and appropriate recommendations and opportunities for improvement identified through an external assessment.

Internal assessment is carried out in the form of half-yearly internal team validations and peer reviews, while external quality assessment review conducted by a qualified independent assessor is undertaken once in every three years.

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

## Intended Outcome

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

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Details of the Group Corporate Assurance (GCA) function, being the Group’s internal audit arm, are as follows:</p> <p><b>a) Objectivity and Independence</b></p> <p>To maintain their objectivity and independence, GCA’s personnel do not have any personal or professional involvement with, or commitment to the area being reviewed or audited.</p> <p>As with all other employees of the Company, GCA’s personnel are required to comply with the Company’s Code of Business Conduct (COBC). Paragraph 6.1 of the COBC on General Guidance (Avoiding Conflict of Interest) states that a report is to be made in writing as soon as practicable if the employees find themselves in a situation of conflict whether actual or potential.</p> <p>In addition, the Group Policies &amp; Authorities No. A4 on Corporate Assurance as well as the Corporate Assurance Charter specifies the requirement for GCA to be independent of the activities it reviews.</p> <p>All GCA personnel are free from any relationship or conflict of interest.</p> <p><b>b) Resources and Leadership</b></p> <p>The GCA function has 69 personnel, led by the Chief Integrity &amp; Assurance Officer (CIAO) and comprised of 66 internal auditors and 3 secretarial/administration staff. The GCA personnel are based in major locations where the Company operates, namely the Group Head Office in Malaysia (Petaling Jaya, Selangor) and Regional Offices in Indonesia (Jakarta, Kalimantan and Sumatera) and Papua New Guinea (Port Moresby). Details are summarised below:</p>

Locations	No. of Auditors	No. of non-Auditors	Total no. of Personnel
<b>GCA Malaysia</b>	33	3	36
<b>GCA Indonesia</b>	31	0	31
<b>GCA PNG</b>	2	0	2
<b>Total</b>	<b>66</b>	<b>3</b>	<b>69</b>

The CIAO is Puan Nik Maziah Nik Mustapha, who is responsible for overseeing the Group's integrity, governance, and assurance functions. For the assurance (GCA) function, her responsibilities include directing, supervising, coordinating and controlling our Group's in-house internal audit and advisory activities to ensure that the strategic directions of GCA are consistently achieved.

The CIAO is a Certified Internal Auditor by the Global Institute of Internal Auditors, USA and holds Certification in Control Self-Assessment conferred by the same Institute. She is also a Chartered Accountant of the Malaysian Institute of Accountants and a professional member of The Institute of Internal Auditors Malaysia. She obtained her Bachelor of Accounting (Hons.) degree from Universiti Utara Malaysia.

All of the GCA personnel are equipped with the relevant industry and functional experience, with most of them having relevant professional qualifications such as Certified Internal Auditor, Certified Fraud Examiner, Certified Information Systems Auditor, Chartered Certified Accountant, Certified Public Accountant and Chartered Accountant.

**c) Internal Audit Framework**

GCA adopts the International Professional Practices Framework (IPPF) issued by the Global Institute of Internal Auditors (Global IIA) so that it complies with the Company's governance framework requirements and is responsive to the expanding demand for high quality internal audit services.

The authoritative guidance of IPPF is applied to all GCA functions group-wide, whether at the Group Head Office or at the GCA Regional Offices as well as applicable to all individual members of the GCA function. The Global IIA's IPPF provides the authoritative guidance for the consistent development, interpretation, and application of concepts, methodologies and techniques useful to the profession.

Additionally, GCA adopts the internationally recognised Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), inclusive of Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring activities.

	The above disclosure is in line with part of GAC's functions and duties stipulated in Para 4.2.5 of its Terms of Reference available on the SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a> .	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

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

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board believes in effective, transparent and regular communication with its stakeholders to build trust and facilitate mutual understanding of each other's objectives and expectations.</p> <p>The Board is also committed to ensuring all communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, filed with regulators in accordance with applicable legal and regulatory requirements.</p> <p>The Policy on Stakeholder Management has been established with the objective to proactively engage and effectively manage the dissemination of information to key stakeholders of the Group. The Policy covers the Group's engagement with key internal and external stakeholders, including but not limited to investor relations activities.</p> <p><b><u>Investor Relations</u></b></p> <p>The Investor Relations (IR) unit provides a platform for two-way communication between the Company and the investment community. This involves providing publicly available information and analysis of the Company that will help the investment community to develop a comprehensive understanding of the Company's strategies, financial results and corporate developments. The IR unit has an extensive engagement programme that includes the holding of regular meetings, conference calls and site visits. Senior Management of the Company is actively involved in the IR engagement programme and the Board is periodically briefed on these interactions and feedback from the investment community.</p> <p>The IR unit is also responsible for enquiries and requests from institutional stakeholders and will coordinate responses from the relevant departments and/or business unit in responding to such enquiries and requests. Any form of engagement with institutional stakeholders is coordinated by the IR unit in consultation with all</p>

relevant business units and/or departments.

The Company will not endorse any analysts' and/or fund managers' report, nor will it use unethical means to influence the opinions of an analyst and/or fund manager.

#### **Enquiries**

The Group Secretary is the official point of contact for written enquiries from Retail Shareholders and will coordinate responses from the relevant departments and/or Business Unit.

The Chief Financial Officer (CFO) is responsible for enquiries and requests from Bank Negara Malaysia and other financial regulatory bodies, whereas the Group Secretary is responsible for enquiries and requests from the relevant regulatory authorities, apart from those mentioned for CFO.

#### **Authorised Spokesperson**

Group Communications is responsible for managing corporate information for all other stakeholders not specifically covered by the functions mentioned above. These include but are not limited to the employees, general public, media, non-governmental organizations (NGOs), governments, international organisations, trade organisations, customers, relevant business councils, and networks.

All information including public communication relating to business operations and products are coordinated through Group Communications in collaboration with the relevant department(s) and/or business unit(s). Such communication is done in cognizance of the Group's principles, policies and communication guidelines.

Group Communications is also responsible to coordinate and manage the dissemination of information to all stakeholders in situations as defined in the Crisis Communications manual.

#### **Financial Result**

The Company held quarterly analyst briefings on the Group's financial results and ensures that the Company's website is regularly updated with current and relevant information to provide up-to-date information on the business (financial and major strategic development), innovation, sustainability initiatives and happenings within the Group. A variety of online and offline contact options (email, online feedback form, general and media enquiries) are provided to facilitate the public's engagement with the Group in their preferred manner.

	<p><b><u>Website</u></b></p> <p>The Company's values, Corporate Governance Framework, Code of Business Conduct (COBC), whistleblowing guidelines, and various other corporate governance initiatives are available on the Company's website. The Company's website is a key communication channel for the Company to reach its shareholders, the investment community, and the general public.</p> <p>The Notice of the AGM, Proxy Form, Annual Report, Circular to Shareholders, Corporate Governance Report, Administrative Details for the AGM and Annual Report Request Form are available on the Company's website at <a href="http://www.simedarbyplantation.com/content/annual-reports-2018">http://www.simedarbyplantation.com/content/annual-reports-2018</a>.</p> <p><b><u>Annual Report</u></b></p> <p>The Annual Report is a major channel of communication disclosing information not only on the Group's business, financials and other key activities but also additional information such as strategies, operations, performance, challenges and its management. The Board places great importance on the content of the Annual Report to ensure the accuracy of the information as the Annual Report is a vital source of information for investors, shareholders and the general public.</p> <p>Apart from the above, the Board engages with shareholders during the Company's Annual General Meeting (AGM). The AGM offers an opportunity to shareholders to raise their questions pertaining to the Group's performance directly to the Board, Executive Deputy Chairman &amp; Managing Director (EDCMD) and Senior Leaders.</p> <p>Announcements made to Bursa Malaysia Securities Berhad, corporate presentations and the above information are available on SD Plantation's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a>.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

## 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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company prepared the Annual Report for the Financial Period Ended 31 December 2018 in accordance with the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) and Global Reporting Initiatives' (GRI) Sustainability Reporting Standards, to enhance reporting connectivity while providing stakeholders with a more holistic view of how the Company creates and sustains value.</p> <p>The Company's Annual Report not only disclosed matters related to financial and non-financial performances but also highlights the Company's strategy, market outlook, operational excellence, innovation &amp; renewables initiatives, safety &amp; health, and environmental and social impacts.</p> <p>The framework facilitates disclosure of valuable information to stakeholders and promotes greater transparency, responsibility, and accountability to the Company.</p>
<b>Explanation for departure</b>	:	
<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>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Notice of the Company's Annual General Meeting (AGM) scheduled to be held on 23 May 2019 will be despatched to shareholders 28 days prior to the AGM; on 24 April 2019. This is to ensure that the shareholders are given sufficient time to consider the resolutions and make necessary arrangements to participate either in person or through company representative, proxy or attorney. The Group allows a shareholder to appoint a proxy who need not be a member of the Company.</p> <p>Notice of our AGM will be posted on the Group's website to ensure wider dissemination. Administrative details will be issued to the shareholders along with the Notice of the AGM and specify related information on registration, location, logistics, voting procedures, etc.</p> <p>Shareholders have the right to request for a copy of the Group's Annual Report through the designated channels.</p> <p>The previous AGM was conducted on 21 November 2018 and the Notice of AGM was despatched to shareholders on 23 October 2018.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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>	:	<p>At the Company's Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) conducted on 21 November 2018, all but one Director (Dato' Che Abdullah @ Rashidi Che Omar) attended the meetings. The Chairmen of the Board and Board Committees (Governance &amp; Audit Committee, Nomination &amp; Remuneration Committee, Risk Management Committee, Sustainability Committee and Board Tender Committee) together with other members of the Board were present to provide meaningful responses to questions by shareholders.</p> <p>All Directors and the Chairs of Board Committees shall attend the Company's AGM scheduled to be held on 23 May 2019 to allow shareholders to raise questions and to provide meaningful responses to questions raised by them.</p>
<b>Explanation for departure</b>	:	
<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>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.3

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>	:	<p>In compliance with this Practice, the Company has amended its Constitution to state that the Company may convene a meeting of Members at more than one venue using any technology or method that enables the Members of the Company to participate and to exercise the Members' right to speak and vote at the meeting. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue.</p> <p>The forthcoming Annual General Meeting (AGM) in May 2019, will be held at Sime Darby Convention Centre, Kuala Lumpur.</p>
		<p>As an alternative to the recommended practice, some of the measures to encourage greater shareholders attendance and participation in the forthcoming AGM include:</p> <ul style="list-style-type: none"> <li>• Shareholders who are unable to attend are allowed to appoint a proxy/ies to attend and vote on their behalf. Shareholders may appoint any person to be their proxy without any restriction as to the qualification of such person;</li> <li>• Proxy form may be deposited at the Share Registrar office or by electronic means through the Share Registrar's web-based facility, TIH Online.</li> <li>• The venue of the AGM is at a central and easily accessible location; and</li> <li>• The Group's website at <a href="http://www.simedarbyplantation.com">www.simedarbyplantation.com</a> contains the Notice of the AGM and other related information.</li> </ul>
<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>	:	The Board will continue to monitor developments on technology so as to adopt a cost-effective platform for remote shareholders participation at General Meetings and voting in absentia.

<b>Timeframe</b>	:	Others	
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**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

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

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