

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5288  
**COMPANY NAME** : SIME DARBY PROPERTY BERHAD  
**FINANCIAL YEAR** : June 30, 2018

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board of Directors ("the Board") of Sime Darby Property Berhad ("Sime Darby Property" or "the Company") is responsible to promote and protect the interest of Sime Darby Property Group which includes 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 terms success and the delivery of sustainable value to its stakeholders. The Board provides thought leadership and advice in fine-tuning corporate strategies, championing corporate governance and ethical practices and ensures effective execution of these strategies.</p> <p>In order to ensure the effective discharge of its functions and responsibilities, it has put in place the Corporate Governance Framework where specific powers of the Board are delegated to the relevant Board Committees and the Group Managing Director ("GMD"). The Board is assisted by three (3) Governance Committees namely, Nomination and Remuneration Committee ("NRC"), Risk Management Committee ("RMC") and Governance and Audit Committee ("GAC"). A copy each of the Terms of Reference ("TOR") is published in the Company's website at <a href="http://www.simedarbyproperty.com">www.simedarbyproperty.com</a>.</p> <p>The Board has clearly demarcated the day to day operational functions of the Management and the overall responsibilities of the Board through a Board Charter, Group Policies and Limits of Authority, TORs and other governance documents.</p> <p>As guided by the Board Charter, the Board assumes, among others, the following six (6) principal responsibilities as follows:</p>

1) Reviewing and Adopting a Strategic Plan for the Company

The Board plays an active role in the formulation and development of the Company's strategy and monitoring its performance and implementation. Sime Darby Property has in place an annual business plan process whereby the Board meets with the Management to discuss on the recommended corporate and operational strategies together with the proposed financial targets, investments and budgeted capital expenditure of the Group.

In year 2018, a two (2) day offsite Management Retreat was held in end March 2018 followed by a two (2) day offsite Board Retreat held in early April 2018 to discuss, among others, the Macroeconomic outlook, Sime Darby Property's Mission, Vision, Financial Targets and core values and to brainstorm on the business plan of each core business segments of the Group comprising Property Development (Township), Property Development (Integrated), Property Investment, Hospitality & Leisure. The Board deliberated in detail on the business plan, scrutinised and challenged the Management and provided their feedback and guidance.

The Board approved the Strategy Blueprint and Budget of Sime Darby Property which comprised the Key Financial & Operational Key Performance Indicators ("KPIs"), Manpower Planning and Budget for financial year 2018/2019 in the subsequent meeting held in June 2018 and requested Management to continuously review, track and update the Board every quarter.

2) Overseeing Conduct of the Business

The Board, at its quarterly meetings, monitored the conduct of business via the Report by Management presented by the GMD comprising among others, market overview, financial highlights, market and sales highlights, operations report as well as transformation initiatives. The Board constructively challenges and contributes to the development of the Company and the Group's strategic plans.

3) Identifying Principal Risks and Ensuring the Implementation of Appropriate Internal Controls and Mitigation Measures

The Board, through the RMC, reviews in detail the quarterly updated risk profile of the Group. A Risk Management Framework is in place to enable the Group to identify, assess and manage / mitigate the risks of the Group. The Group Risk Heat Map is presented to the Board, at its quarterly meetings to give a snapshot of the risk review of the Group. The RMC advises the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organisation.

The RMC assists the Board to fulfil its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group. The GAC reviews the internal controls of the Group to ensure, as far as possible, the protection of its assets and shareholders' investment.

4) Succession Planning

The Board, through the NRC, is responsible to ensure that there is an effective succession planning in Sime Darby Property. The NRC is responsible to review the candidates for key management positions and determine the remuneration for these appointments. The NRC, had successfully filled up all the C-Suite positions during the financial year post the demerger exercise on 30 November 2018. As a next step, the NRC, with the assistance of GMD, would ensure that an enhanced appropriate succession planning framework, talent management and human capital development programme are in place for the key critical positions.

5) Overseeing the Development and Implementation of a Stakeholder Communications Policy for Sime Darby Property Group

Sime Darby Property believes in building investor confidence through good Corporate Governance practices and communication with the stakeholders. The Company carried out its Investor Relations ("IR") activities in accordance with its IR policy in order to create and enhance shareholders value. The Board is apprised, on quarterly basis, the IR activities including the investors' feedback, analysts' recommendations and market consensus of the Group's annual performance against the KPIs. Report on movements of the share price of Sime Darby Property and Total Shareholders' Returns against indices and peers were also included.

6) Reviewing the Adequacy and the Integrity of the Management Information and Internal Control Systems of Sime Darby Property Group

The Board is ultimately responsible for the adequacy and integrity of the Company's management information and internal control systems. Details pertaining to the Company's internal control systems and its effectiveness are provided in the Statement on Risk Management and Internal Control on page 148 of the Annual Report 2018.

The Board is guided by its Board Charter which outlines the duties and responsibilities of the Board. The Board Charter is published on the Company's website at [www.simedarbyproperty.com](http://www.simedarbyproperty.com).

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

## Intended Outcome

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

## Practice 1.2

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The roles of the Chairman of the Board have been clearly specified in the Company's Board Charter, which is available on the Company's website at <a href="http://www.simedarbyproperty.com">www.simedarbyproperty.com</a>.</p> <p>During the financial year under review, the Chairman of the Board was Tan Sri Abdul Wahid Omar, who sat on Sime Darby Property Board as a representative of its major shareholder, Permodalan Nasional Berhad ("PNB") and therefore was Non-Independent. Tan Sri Abdul Wahid Omar was a highly respected individual with a distinguished career in the corporate sector, government sector and investment banking. Following Tan Sri Abdul Wahid Omar's early retirement as a Chairman of PNB effective 30 June 2018, he also resigned as Chairman of Sime Darby Property effective 30 June 2018.</p> <p><i>Note : Encik Rizal Rickman Ramli, who was a nominee of PNB, was appointed as Acting Chairman of Sime Darby Property from 30 June 2018 until the recent appointment of Tan Sri Dr. Zeti Akhtar Aziz as the new Chairman of Sime Darby Property effective 23 July 2018.</i></p> <p>The duties of the Board Chairman include the following:</p> <ol style="list-style-type: none"><li>1) Managing Board meetings to ensure robust decision-making by:<ol style="list-style-type: none"><li>i) setting the agenda for each Board meeting together with the Company Secretary and the Managing Director ("MD"). Other Directors and key members of Management may also be consulted;</li><li>ii) ensuring the provision of accurate, complete, timely and clear information to the Directors;</li><li>iii) leading Board meetings and discussions;</li><li>iv) 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>v) ensuring all Directors are properly briefed on issues arising at Board meetings in a timely manner.</li></ol></li></ol>

	<p>2) Building a high performance Board by:</p> <ul style="list-style-type: none"> <li>i) providing leadership for the Board so that the Board can perform its responsibilities effectively;</li> <li>ii) 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>iii) 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>iv) ensuring that prior to new appointments to the Board, an assessment is undertaken on the candidate, which may include a competency and behavioral analysis of the candidate; and</li> <li>v) ensuring that the Board and senior executive succession planning is considered on an ongoing basis.</li> </ul> <p>3) Managing Board / Management interface by:</p> <ul style="list-style-type: none"> <li>i) 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>ii) developing a positive relationship with the MD, acting as a confidant and advisor; and</li> <li>iii) facilitating the selection and appointment of a successor to the current MD.</li> </ul> <p>4) Being the public face by:</p> <ul style="list-style-type: none"> <li>i) acting as a spokesperson for the Board; and</li> <li>ii) representing Sime Darby Property 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>5) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.</p>
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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

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 distinct and separate roles and responsibilities of the Chairman and the Group Managing Director (“GMD”) are clearly defined in the Board Charter, which is available on the Company’s website at <a href="http://www.simedarbyproperty.com">www.simedarbyproperty.com</a>.</p> <p>The positions of the Chairman and GMD, who has the same function as Chief Executive Officer, are held by two (2) different individuals.</p> <p>The Chairman is primarily presides over meetings of Directors and is responsible for instilling good corporate governance practices, leadership and the effectiveness of the Board whilst the GMD is responsible for the execution of the Group’s strategies in line with the Board’s direction, oversees the operations of the Company and drives the Group’s businesses and performance towards achieving the Group’s vision and goals.</p> <p>The GMD is assisted in the management of the business by the Group Management Committee (“GMC”). The GMC ensures that effective systems, controls and resources are in place to execute business strategies and decisions taken by the GMD and the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.4

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 Group Secretary of Sime Darby Property is qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. She is a Fellow member of Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”).</p> <p>The Board has unrestricted access to the advice and services of the Group Secretary enable them to discharge their duties effectively. The Group Secretary attended all Board and Board Committees’ meetings during the financial year. The Group Secretary, together with the Directors, are responsible for the proper conduct of the meetings in accordance to the applicable rules and regulations.</p> <p>The Group Secretary ensures the deliberations at Board and Board Committee meetings are properly documented and subsequently communicated to the relevant management for their further actions.</p> <p>The Group Secretary keeps herself abreast with the evolving regulatory changes and developments in corporate governance by attending conferences, workshops and training organised by MAICSA, Companies Commission of Malaysia, etc. Based on the annual effectiveness evaluation survey, the Board is satisfied with the support rendered by the Group Secretary in discharging her duties.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group Secretary will table the annual meeting calendar in advance of each new year in order to facilitate the Directors time planning. The schedule provides the Directors with all the Board and Board Committees meeting dates including Annual General Meeting.</p> <p>The Board normally meets quarterly to review the financial, operational and business performances. Notices and agenda of meetings, duly endorsed by the Chairman, together with the relevant Board papers are normally distributed at least five (5) days before the meetings to ensure the Directors have sufficient time to review the Board papers and seek clarifications from Management before each meeting. Occasionally the Board or Board Committee meetings may be held at short notice, when critical decisions need to be made.</p> <p>In March 2017, the Group had implemented a paperless meeting solution as part of the initiative to reduce paper usage, improve meeting processes and ensure Directors are able to access papers in a timely and secure manner.</p> <p>In order for the Board meetings to be more effective, the Board meeting agenda are sequenced in a manner that prioritise approval papers for each agenda item in order for the Board meeting to be conducted effectively.</p> <p>Key decisions are always made in a Board meeting while Directors' Circular Resolutions are confined to administrative matters or to formalise matters that have been debated at a Board meeting. Directors' Circular Resolutions are normally accompanied by Board papers in the same prescribed format. All Directors' Circular Resolutions are tabled for confirmation at the next Board meeting.</p> <p>A director who has an interest in any proposal or transaction, either direct or indirect, which is being presented to the Board for approval, will declare his or her interest and abstain from deliberation and voting of the same at the Board meeting.</p>

	The minutes of meetings will normally be circulated for comments and for follow up action by Management within one (1) to two (2) weeks from the date of the meeting. The minutes of the meetings are tabled for confirmation at the next meeting whilst the minutes of the Board Committees are presented to the Board for notation.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter was adopted by the Board in August 2017 prior to the listing of Sime Darby Property on 30 November 2017. It clearly defines the respective roles and responsibilities of the Board, Board Committees, Individual Directors and Management as well as issues and decisions reserved for the Board. It will be reviewed to ensure that it is up to date with changes in the relevant regulations and best practices, relevant and consistent with the Board's objectives and responsibilities.</p> <p>The Board Charter is published on the Company's website at <a href="http://www.simedarbyproperty.com">www.simedarbyproperty.com</a>.</p> <p>As stated in the Board Charter, the Board is in charge of leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act honestly, in good faith and shall use his / her reasonable care and skills in discharging his / her duties in the best interest of the Company.</p> <p>As for the day-to-day management of the Group, it is delegated to the Group Managing Director ("GMD"). This formal structure of delegation is further cascaded by GMD to the Management team. The GMD and Management team remain accountable to the Board for the performance of Sime Darby Property Group.</p> <p>The Board, however, takes full responsibility for the oversight and overall performance of the Group. The matters reserved for the Board included:</p> <ol style="list-style-type: none"><li>1) Group Strategy, plans and budget.</li><li>2) Acquisitions and disposals and transaction exceeding authority limits.</li><li>3) Changes to the Managing Director and Senior Management.</li><li>4) Changes in the key policies, procedures and delegated authority limits of the Group.</li></ol>

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

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>In discharging its functions, the Board adheres strictly to the Code of Business Conduct ("COBC") it has in place. Directors are expected to conduct themselves with the highest ethical standards and corporate governance.</p> <p><i>Note : The Company has adopted a COBC prior to its listing. The Board had, in July 2018, adopted a revised COBC which provides certain enhancement including graphic designs, new tagline and introducing new principles and removing certain current principles which might not be relevant. The periodic review ensures that the document remains current and relevant.</i></p> <p>The COBC outlines the standards of behaviour Sime Darby Property expected from its Directors, Management, employees, and where applicable, its counterparts and business partners, in line with Sime Darby Property Group's Core Values and Business Principles. The COBC applies to all businesses and countries in which the Company operates.</p> <p>The COBC covers areas such as working with one another, avoiding conflict of interests, guarding against bribery and corruption, gifts, entertainment and travel, donations, protecting the Group and shareholders, dealing with counterparts and business partners, dealing with government authorities, and political parties and internal organisations.</p> <p>The Board has also implemented a 'No Gift Policy' across the organisation which prohibits the employees from offering, giving, soliciting or accepting any form of gifts, regardless of its reasons.</p> <p>The Group Compliance Office is responsible for reviewing and monitoring compliance to the COBC as part of its ongoing reviews. The COBC is accessible to the public for reference on the Company's website at <a href="http://www.simedarbyproperty.com">www.simedarbyproperty.com</a></p>

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



### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has put in place a Whistleblowing Policy and Procedures (“WPP”) that provides a mechanism and avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group’s policies and guidelines, in a safe and confidential manner.</p> <p>The Governance and Audit Committee (“GAC”) is responsible for overseeing the implementation of the WPP for the Group’s employees whilst duties relating to the day-to-day administration of the WPP are performed by the Group Compliance Office. The Group Corporate Assurance Department will investigate each claim independently. Upon completion of each investigation, a report will be prepared to the Chairman of GAC and is available to other GAC members. The Group Compliance Office shall prepare a summary report on status of investigation and present it to the Audit Committee on a quarterly basis.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Post the listing of Sime Darby Property and up to the financial year under review, the Board comprised eleven (11) Directors as follows:</p> <ul style="list-style-type: none"><li>(a) Six (6) Independent Non-Executive Directors (“INEDs”);</li><li>(b) Three (3) Non-Independent Non-Executive Directors; and</li><li>(c) Two (2) Executive Directors.</li></ul> <p>Based on the above, the Board had complied with the requirement to have more than 50% INEDs on its Board during the financial year which exceeded the 1/3 requirement of the Main Market Listing Requirements (“MMLR”).</p> <p><i>Note : Following the resignations of both Tan Sri Abdul Wahid Omar, Non-Independent Non-Executive Director, and Dato’ Rohana Tan Sri Mahmood, Senior INED, effective 30 June 2018 and the subsequent appointment of Tan Sri Dr. Zeti Ahktar Aziz, Non-Independent Non-Executive Director effective 23 July 2018, the Board comprises 50% of INEDs.</i></p> <p>The Board has adopted a Board Composition Policy on 26 July 2017 prior to the listing on 30 November 2017, which sets out the approach of the Board with regard to the composition of the Board and also, addresses specific requirements of the MMLR of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance (“MCCG”). Based on the principles as per the Board Composition Policy, the Board acknowledges that a Board comprising a majority of Independent Directors allow for more effective oversight of Management.</p> <p>The Board had engaged PricewaterhouseCoopers to conduct the Board Effectiveness Evaluation (“BEE”) 2017 / 2018 exercise. The outcome of the BEE results indicated that the Directors have demonstrated independence and objectivity in the decision making process, gave given valuable feedback through sharing of knowledge and experience and have acted in the best interest of the Company.</p>
<b>Explanation for departure</b>	:	

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

**Intended Outcome**

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

**Practice 4.2**

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

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

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

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The Board has adopted the nine (9) year rule for Independent Non-Executive Directors (“INEDs”). Upon completion of the nine (9) years, an INED may continue to serve on the Board subject to the Directors’ re-designation as a Non-Independent Director or upon approval obtained from the shareholders.

### 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>: <u>Appointment of Directors</u></p> <p>There is a clear and transparent process for the nomination, selection and appointment of suitable candidates to the Board of Sime Darby Property and achieving Board balance through diversity in skills set, experience, age, nationality and gender. The principle is encapsulated in the Board Composition Policy Framework and Terms of Reference of Nomination and Remuneration Committee (“NRC”).</p> <p>The formal process involves the NRC first identifying the gap in the Board composition before sourcing for suitable candidates. Subsequently, the NRC evaluates and recommends to the Board suitable candidates who fulfill the requirements. The process for Board appointment also mandates the Group Managing Director to engage external consultants.</p> <p>The following criteria will be considered in the selection process:</p> <ol style="list-style-type: none"> <li>1) Required skills, knowledge, expertise and experience;</li> <li>2) Time commitment, character, professionalism and integrity;</li> <li>3) Ability to work cohesively with other Board members;</li> <li>4) Specialist knowledge or technical skills in line with the Company’s strategy;</li> <li>5) Diversity in age, gender and experience / background; and</li> <li>6) Number of directorships in companies.</li> </ol> <p><u>Appointment of Key Senior Management</u></p> <p>For appointment of key Senior Management, the NRC will consider and review the candidates focusing on their skills set, competencies, experience, age and other qualities prior to recommendation to the Board for approval.</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 4.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Post the listing of Sime Darby Property on 30 November 2017 to April 2018, the Board had achieved its target of 30% women Directors.</p> <p>Following the appointment of Encik Rizal Rickman Ramli, Non-Independent Non-Executive Director in April 2018, this percentage has reduced to 27% up until the financial year end.</p> <p>The Board of Sime Darby Property had, at its meeting held on 26 July 2017, agreed that it will maintain at least two (2) women Directors on the Board and will actively work towards having a minimum of 30% women as members of the Board by year 2019.</p> <p><i>Note : Following the resignations of Tan Sri Abdul Wahid Omar and Dato' Rohana Tan Sri Mahmood on 30 June 2018 and the subsequent appointment of Tan Sri Dr. Zeti Akhtar Aziz as the new Chairman effective 23 July 2018, to-date Sime Darby Property has achieved its 30% women Directors.</i></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has a formal policy on selection process and assessment criteria for appointment of new Directors. It also sets out the criteria for assessment of the appropriateness of the Board mix and composition.</p> <p>The policy allows the Board to engage executive search firms and other channels to assist in finding candidates with the relevant skills and background.</p> <p>During the financial year under review, the Nomination and Remuneration Committee (“NRC”) and the Board had considered the appointment of Encik Rizal Rickman Ramli as an additional Board member, who is a nominee of Permodalan Nasional Berhad.</p> <p><i>Note: The Board, though the NRC, is currently reviewing the selection of an additional Independent Non-Executive Director to be appointed to the Board. The selection process is a robust and objective exercise where candidates are screened to ensure they have the right property industry knowledge and skills and possess time to effectively discharge his / her role as Director. The NRC with the assistance of Group Managing Director, is engaging an executive search firm to assist in sourcing for the right candidate.</i></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the financial year under review, the Nomination and Remuneration Committee (“NRC”) is chaired by Dato’ Rohana Tan Sri Mahmood, a Senior Independent Director.</p> <p><i>Note: Following her resignation, the NRC is now chaired by Datin Norazah Mohamed Razali, an Independent Non-Executive Director.</i></p> <p>The details of the NRC’s activities for the financial year ended 30 June 2018 is set out in the NRC Report on page 143 of the Annual Report 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

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 Board, through the Nomination and Remuneration Committee (“NRC”), had engaged PricewaterhouseCoopers (“PwC”) to conduct and facilitate its first Board Effectiveness Evaluation (“BEE”) 2017/2018 exercise for Sime Darby Property since its listing in November 2017. The BEE was undertaken through Directors’ self and peer evaluation questionnaire as well as structured one to one interview sessions between representatives of PwC and each Director to obtain views on key strengths and areas for improvement.</p> <p>The effectiveness of the Board and Board Committees are assessed in the areas of the Board’s responsibilities and composition, meeting process, administration and conduct, interaction and communication with Management and stakeholders and the Board’s engagement, as well as the effectiveness of the Chairman and the Group Managing Director.</p> <p>The Self &amp; Peer’s Assessment for Directors and Committee members are similar which is intended to assess their contribution, performance, calibre and personality in relation to the skills, experience and other qualities they bring to the Board / Board Committees. The Self &amp; Peer’s Assessment also examines the ability of each Board member or Committee member to give input at meetings and to demonstrate objectivity and clarity of thought on issues during deliberations at meetings, provide honest opinion and offer practical and realistic advice to the discussions.</p> <p>The NRC reviewed the outcome of the BEE results and discussed areas of improvement and enhancement that the Board should address.</p> <p>The BEE results indicated that the Board had discharged their duties and responsibilities effectively. The overall ratings for Directors’ Peer evaluation indicated that Board dynamics and interactions between the Board members were satisfactory with room for improvement. The Board members worked well as a group and agreed collectively and cohesively in decision making.</p>

	<p>The BEE findings also indicated that there were no apparent major weaknesses or shortcomings identified that warranted specific actions to mitigate the same.</p> <p>The Board was satisfied with the evaluation outcome and the key areas that were identified.</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 6.1

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><u>Non-Executive Directors ("NEDs")</u></p> <p>Sime Darby Property recognises that in order to attract and retain Directors, it is important to have a fair and competitive remuneration package that commensurate with their experience, skills, responsibilities, performance, contribution as well as industry benchmark. In view of this, framework and guidelines provided by an independent consultant and market data on the remuneration practices of comparable peers, which was undertaken by Sime Darby Berhad prior to the demerger, were taken into consideration in determining the remuneration package for NEDs.</p> <p>The level of remuneration reflects their experience, level of responsibilities and industry's benchmark as well as complexity of business. The remuneration of NEDs consists of fixed Directors' fees per annum for Board and Board Committees.</p> <p>The Board as a whole resolve on the fees for NEDs. The fees payable to the NEDs are subject to the approval of the shareholders at the Annual General Meeting. The current remuneration structure for NEDs is as follows:</p> <table border="1"><thead><tr><th></th><th><b>Board (RM / Year)</b></th><th><b>Governance and Audit Committee (RM / Year)</b></th><th><b>Other Committees (RM / Year)</b></th></tr></thead><tbody><tr><td>Chairman</td><td>540,000</td><td>80,000</td><td>60,000</td></tr><tr><td>Member</td><td></td><td></td><td></td></tr><tr><td>i) Resident</td><td>220,000</td><td>50,000</td><td>35,000</td></tr><tr><td>ii) Non-resident</td><td>360,000</td><td></td><td></td></tr></tbody></table> <p>Benefits such as transportation for official business assignments, insurance, medical, TPC Kuala Lumpur memberships were provided to the NEDs.</p>		<b>Board (RM / Year)</b>	<b>Governance and Audit Committee (RM / Year)</b>	<b>Other Committees (RM / Year)</b>	Chairman	540,000	80,000	60,000	Member				i) Resident	220,000	50,000	35,000	ii) Non-resident	360,000		
	<b>Board (RM / Year)</b>	<b>Governance and Audit Committee (RM / Year)</b>	<b>Other Committees (RM / Year)</b>																		
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Member																					
i) Resident	220,000	50,000	35,000																		
ii) Non-resident	360,000																				

## Senior Management Remuneration

The Nomination and Remuneration Committee (“NRC”) of the Company in its Terms of Reference is responsible:

- 1) 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 fringe benefits for Executive Directors, the Managing Director (“MD”) and key pivotal positions.
- 2) To set the policies and / or guideline on the remuneration framework including reviewing and making recommendations relating to remuneration, to the Board for employees of the Group.

Sime Darby Property is transitioning the performance management cycle to align with the new Financial Year.

It will change from a period ending June 2018 in the last performance cycle to a transition financial period of six (6) months from July 2018 to December 2018 and the new financial year cycle from January 2019 to December 2019 (12 months) and beyond.

## **Rewards Management**

### Base Salary and Annual Increment

Sime Darby Property maintains market competitive salary ranges for different level of employees in the company, which are tied to the Performance Management Framework.

The Management considers the economic outlook, market benchmark against both comparable companies within the industry as well as company’s affordability for the annual review exercise.

Salary increases were based on employees’ performance and the salary position within their job grade i.e. using the comparative-ratio approach (“CR”). The Increment framework is designed to accelerate salary growth for performing employees to be within market reference range.

### Benefits Management

The Employee Handbook for the different job categories and job levels outlines the employment terms and conditions including compensation, leaves, education assistance and other benefits.

Sime Darby Property also provides flexible benefits to the Executive and above category of employees and an option for them to select the different leave, medical and insurance packages to suit their needs and priorities.

	<p><b><u>Bonus Framework</u></b></p> <p>1) Guiding Principle</p> <p>i) Bonus is a form of short-term incentive to reward past performance and a motivator for future performance. It is an important enabler in our journey to become a high performing organisation.</p> <p>ii) Bonus payout must be directly aligned and commensurate to the Group, Company, Department and individual performance. There must be a clear differentiation in the bonus quantum awarded between the high performing organisations / individuals and the others</p> <p>2) The fundamental design principles of the approved Short-term Incentive Plan (Annual Bonus) are as follows:</p> <p>i) Performance measures aligned to employees' line-of-sight.</p> <p>ii) Performance factors to facilitate the achievement of the objectives and goals of the Group, Company and Department.</p> <p>iii) Bonus payments are both a reward for past performance and a motivator for future performance. It is an important enabler in our journey to become a high performing organisation.</p> <p>iv) Bonus payout must be directly related to the Group, Company, Department &amp; individual performance. There must be a clear differentiation in the bonus quantum awarded between the high performing organisations/ individuals and the others.</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 Nomination and Remuneration Committee (“NRC”) comprises majority Independent Non-Executive Directors. The Terms of Reference (“TOR”) of the NRC delineate the roles and responsibilities in relation to the nomination and remuneration matters, as provided in the TOR of the NRC which is available on the Company’s website at <a href="http://www.simedarbyproperty.com">www.simedarbyproperty.com</a></p> <p>The Board is satisfied that the NRC has effectively discharged its roles and responsibilities with respect to its nomination and remuneration functions, which include, among others, review the remuneration framework for the Board and key management personnel.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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

### Practice 7.1

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

<b>Application</b> :	Applied																																																										
<b>Explanation</b> :	The remuneration received / to be received by each of the Directors for the financial year 2018 is set out in the tables below:																																																										
<b>on application of the practice</b>	<table border="1"> <thead> <tr> <th></th> <th>Salaries RM</th> <th>Fees RM</th> <th>Others RM</th> <th>Benefits-in-kind<sup>(3)</sup></th> <th>Total RM</th> </tr> </thead> <tbody> <tr> <td colspan="6"><b>Executive Directors</b></td> </tr> <tr> <td>Dato' Sri Amrin Awaluddin <i>(Appointed on 12.07.2017)<sup>(1)</sup></i></td> <td>1,400,000</td> <td>–</td> <td>243,939</td> <td>26,212</td> <td>1,670,151</td> </tr> <tr> <td>Datuk Tong Poh Keow <i>(Appointed on 30.11.2017)<sup>(2)</sup></i></td> <td>880,000</td> <td>41,644<sup>(4)</sup></td> <td>240,841</td> <td>52,428</td> <td>1,214,913</td> </tr> <tr> <td colspan="6"><b>Non-Executive Directors</b></td> </tr> <tr> <td>Tengku Datuk Seri Ahmad Shah Alhaj ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj</td> <td>-</td> <td>240,043</td> <td>-</td> <td>16,756</td> <td>256,799</td> </tr> <tr> <td>Dato' Johan Ariffin</td> <td>-</td> <td>372,468</td> <td>-</td> <td>51,191</td> <td>423,659</td> </tr> <tr> <td>Dato' Jaganath Derek Steven Sabapathy</td> <td>-</td> <td>275,016</td> <td>-</td> <td>160</td> <td>275,176</td> </tr> <tr> <td>Datuk Dr. Mohd Daud Bakar <i>(Appointed on 12.07.2017)<sup>(1)</sup></i></td> <td>-</td> <td>219,454</td> <td>-</td> <td>16,793</td> <td>236,247</td> </tr> </tbody> </table>						Salaries RM	Fees RM	Others RM	Benefits-in-kind <sup>(3)</sup>	Total RM	<b>Executive Directors</b>						Dato' Sri Amrin Awaluddin <i>(Appointed on 12.07.2017)<sup>(1)</sup></i>	1,400,000	–	243,939	26,212	1,670,151	Datuk Tong Poh Keow <i>(Appointed on 30.11.2017)<sup>(2)</sup></i>	880,000	41,644 <sup>(4)</sup>	240,841	52,428	1,214,913	<b>Non-Executive Directors</b>						Tengku Datuk Seri Ahmad Shah Alhaj ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj	-	240,043	-	16,756	256,799	Dato' Johan Ariffin	-	372,468	-	51,191	423,659	Dato' Jaganath Derek Steven Sabapathy	-	275,016	-	160	275,176	Datuk Dr. Mohd Daud Bakar <i>(Appointed on 12.07.2017)<sup>(1)</sup></i>	-	219,454	-	16,793	236,247
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	Salaries RM	Fees RM	Bonus, Incentive & Others RM	Benefits- in-kind <sup>(3)</sup>	Total RM
Dato' Seri Ahmad Johan Mohammad Raslan <i>(Appointed on 12.07.2017)<sup>(1)</sup></i>	-	351,617	-	160	351,777
Datin Norazah Mohamed Razali <i>(Appointed on 12.07.2017)<sup>(1)</sup></i>	-	201,987	-	1,045	203,032
Rizal Rickman Ramli <i>(Appointed on 05.04.2018)<sup>(1)</sup></i>	-	69,122 <sup>(5)</sup>	-	-	69,122
<b>Directors resigned during FY2018</b>					
Tan Sri Dato' Sri Abdul Wahid Omar <i>(Resigned on 30.06.2018)</i>	-	366,247	-	160	366,407
Dato' Rohana Tan Sri Mahmood <i>(Resigned on 30.06.2018)</i>	-	247,288	-	18,396	265,684
Tan Sri Dato' Abdul Ghani Othman <i>(Resigned on 12.07.2017)</i>	-	4,521	-	-	4,521
Zainal Abidin Jamal <i>(Resigned on 12.07.2017)</i>	-	3,014	-	-	3,014
Mohamad Idros Mosin <i>(Resigned on 12.07.2017)</i>	-	3,014 <sup>(5)</sup>	-	-	3,014
Tan Sri Dato' Seri Mohd Bakke Salleh <i>(Resigned on 12.07.2017)</i>	-	3,014 <sup>(4)</sup>	-	-	3,014
Dato' Jauhari Hamidi <i>(Resigned on 12.07.2017)</i>	33,914	-	4,552	4,810	43,276
<p><sup>(1)</sup> Appointed during the financial year under review  <sup>(2)</sup> Appointed as Executive Director, Group Chief Financial Officer on 30 November 2017</p>					

	<sup>(3)</sup> Comprises company car, petrol claims, telecommunication devices / facilities, club memberships, medical and insurance coverage and discounts on purchases of Group / companies products, where relevant <sup>(4)</sup> Fees as nominee Director to be paid to Sime Darby Berhad <sup>(5)</sup> Fees as nominee Director to be paid to Permodalan Nasional Berhad	
<b>Explanation</b> :	<b>for</b>	
	<b>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 7.2

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

<b>Application</b>	:	Departure														
<b>Explanation on application of the practice</b>	:															
<b>Explanation for departure</b>	:	<p>The Board is of the opinion that such disclosure would be disadvantageous to Sime Darby Property Group, given the competitiveness in the property industry for talent and due to confidentiality of remuneration packages. The Board will continuously undertake a robust internal process to ensure that the remuneration of Senior Management is competitive and fair.</p> <p>As an alternative to the recommended practice and in order to achieve the intended outcome, the Board has opted to disclose the remuneration of Senior Management on a group basis as follows:</p> <table border="1" data-bbox="539 1178 1407 1550"> <thead> <tr> <th>Remuneration (Top 5 Senior Management)</th> <th>RM</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>3,436,844.00</td> </tr> <tr> <td>Bonus</td> <td>160,054.00</td> </tr> <tr> <td>Company's contribution to provident fund, pension fund or other retirement benefit scheme</td> <td>557,810.00</td> </tr> <tr> <td>Expense allowances chargeable to income tax</td> <td>244,239.00</td> </tr> <tr> <td>Benefits-in-kind</td> <td>69,427.00</td> </tr> <tr> <td><b>Total</b></td> <td><b>4,468,374.00</b></td> </tr> </tbody> </table>	Remuneration (Top 5 Senior Management)	RM	Salary	3,436,844.00	Bonus	160,054.00	Company's contribution to provident fund, pension fund or other retirement benefit scheme	557,810.00	Expense allowances chargeable to income tax	244,239.00	Benefits-in-kind	69,427.00	<b>Total</b>	<b>4,468,374.00</b>
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Benefits-in-kind	69,427.00															
<b>Total</b>	<b>4,468,374.00</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>	:	The Board will continuously monitor the matter and consider the appropriateness of such disclosure in the future.														
<b>Timeframe</b>	:	Others <span style="float: right;">Please specify number of years.</span>														

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Governance &amp; Audit Committee ("GAC") Chairman, Dato' Seri Ahmad Johan Mohammad Raslan is a fellow of the Institute of Chartered Accountants of England and Wales, member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. Dato' Seri Ahmad Johan Mohammad Raslan is an Independent Non-Executive Director and is appointed as the GAC Chairman since 12 July 2017. He is not the Chairman of the Board.</p> <p>The Terms of Reference of the GAC has reflected the requirements in Practice 8.1 of the Malaysian Code on Corporate Governance that "<i>The AC Chairman is not the Chairman of the Board</i>".</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>Sime Darby Property has always recognised the need to uphold independence. None of the members of the Board members were former key audit partners within the cooling-off period of two (2) years.</p> <p>The policy has been adopted in the Terms of Reference of the Governance and Audit Committee.</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 is committed to ensuring that a clear, balanced and meaningful assessment of the Group's financial performance and prospects through the audited financial statements and quarterly announcement of results are provided to the shareholders and regulatory bodies. In view thereof, the Board, through the Governance and Audit Committee ("GAC"), oversee the process and the integrity and quality of reporting, annually and quarterly. The GAC, assists the Board by reviewing the financial statements and quarterly announcements of results to ensure completeness, accuracy and adequacy in the presence of external auditors and internal auditors prior to recommending the same to the Board for approval.</p> <p>The GAC manages the relationship with its external auditors on behalf of the Board. The GAC considers the reappointment, remuneration and terms of engagement of the external auditors annually. The review covers the independence and service level of the external auditors which include, among others, the quality of work, timeliness and non-audit services provided.</p> <p>The GAC, had in August 2018, undertaken an annual assessment of the overall performance of PricewaterhouseCoopers ("PwC") including independence, objectivity and professionalism. PwC, in August 2018, had provided a written assurance that they are independent throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements in respect of the audited financial statements of the Group for the financial year ended 30 June 2018.</p> <p>The GAC was satisfied with the quality of audit, performance, competency and sufficient resources provided to the Group. The GAC was also satisfied in its review that the provision of the non-audit services by PwC to the Company during the financial year ended 30 June 2018 did not impair their objectivity and independence as external auditors of Sime Darby Property.</p>



	Having considered the outcome of the annual assessment of external auditors, the Board, had in August 2018, approved the recommendation for the shareholders' approval to be sought at the forthcoming Annual General Meeting on the reappointment of PwC as external auditors of the Company.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted															
<b>Explanation on adoption of the practice</b>	:	<p>During the financial period under review, the Governance and Audit Committee ("GAC") comprised four (4) Independent Non-Executive Directors ("INEDs") as follows:</p> <table border="1"><thead><tr><th>No.</th><th>Director / Designation</th><th>Membership</th></tr></thead><tbody><tr><td>1.</td><td>Dato' Seri Ahmad Johan Mohammad Raslan</td><td>Chairman</td></tr><tr><td>2.</td><td>Dato' Rohana Tan Sri Mahmood</td><td>Member</td></tr><tr><td>3.</td><td>Dato' Jaganath Derek Steven Sabapathy</td><td>Member</td></tr><tr><td>4.</td><td>Datin Norazah Mohamed Razali</td><td>Member</td></tr></tbody></table> <p><i>Note: Following the resignation of Dato' Rohana Tan Sri Mahmood, a Senior INED on 30 June 2018, she ceased to be a member of GAC. The Board, through the Nomination and Remuneration Committee, is currently reviewing the selection of an additional INED to be appointed to the Board. The candidate, once identified, will be considered as an additional member of GAC.</i></p>	No.	Director / Designation	Membership	1.	Dato' Seri Ahmad Johan Mohammad Raslan	Chairman	2.	Dato' Rohana Tan Sri Mahmood	Member	3.	Dato' Jaganath Derek Steven Sabapathy	Member	4.	Datin Norazah Mohamed Razali	Member
No.	Director / Designation	Membership															
1.	Dato' Seri Ahmad Johan Mohammad Raslan	Chairman															
2.	Dato' Rohana Tan Sri Mahmood	Member															
3.	Dato' Jaganath Derek Steven Sabapathy	Member															
4.	Datin Norazah Mohamed Razali	Member															

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Governance and Audit Committee ("GAC") has a mix of qualified and experienced professionals in the field of accountancy, consultancy and property development.</p> <p>The members of the Board including the GAC members, had during the financial year, attended various training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations, risk management and business environment. Details of the trainings or seminars attended by the members during the financial year ended 30 June 2018 are set out in the Corporate Governance Overview Statement under "Directors' Training" in the Annual Report 2018 of the Company.</p> <p>The members of the GAC had also been briefed on the relevant changes in the financial reporting standards by the Executive Director / Group Chief Financial Officer and External Auditors at the GAC meetings held in the financial year.</p> <p>Based on the outcome of the Board Effectiveness Evaluation 2017/2018 exercise, the Board is satisfied with the GAC's performance as its Chairman and members possess the necessary knowledge and skills which contributed to the overall effectiveness of the GAC.</p> <p>The details of the GAC's activities for the financial year ended 30 June 2018 is set out in the GAC Report on page 156 of the Annual Report 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

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for effective risk management and internal control of Sime Darby Property Group. The Board embeds risk management practices into activities, initiatives and processes of the Group. The risk management framework has been set in place by the Board to identify, evaluate, mitigate and monitor key risks faced by the Group.</p> <p>The Board recognises that the framework is designed to mitigate rather than to eliminate risks or events with significant adverse impact on the achievements of the Group's objectives and strategies.</p> <p>The Board through, the Risk Management Committee ("RMC") reviews the risk management framework and processes to ensure they remain relevant for use, and monitors the effectiveness of risk treatment / mitigation action plans for the management and control of the key risks. The RMC deliberated the quarterly risk report which identified principal risks of the Group and the corresponding rating for each risk. The appropriate risk tolerance will depend on the nature of the projects undertaken and the objectives pursued. The risk appetite will be reviewed periodically by the RMC in response to the operating environment.</p> <p>The Statement on Risk Management and Internal Controls which provides an overview of the state of internal controls within the Group is provided on page 148 of the Annual Report 2018.</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**

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>	:	The Board has disclosed the key features of its risk management and internal control system in detail in the Statement on Risk Management and Internal Controls on page 148 of the Annual Report 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 9.3 - Step Up

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

<b>Application</b>	:	Adopted																		
<b>Explanation on adoption of the practice</b>	:	<p>The Risk Management Committee ("RMC") comprises majority of Independent Non-Executive Directors to oversee the Company's risk management framework and policies. The members of the RMC are as follows:</p> <table border="1"><thead><tr><th>No.</th><th>Director / Designation</th><th>Membership</th></tr></thead><tbody><tr><td>1.</td><td>Dato' Jaganath Derek Steven Sabapathy <i>(Independent Non-Executive Director)</i></td><td>Chairman</td></tr><tr><td>2.</td><td>Tengku Datuk Seri Ahmad Shah Alhaj ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj <i>(Independent Non-Executive Director)</i></td><td>Member</td></tr><tr><td>3.</td><td>Dato' Johan Ariffin <i>(Independent Non-Executive Director)</i></td><td>Member</td></tr><tr><td>4.</td><td>Datuk Dr Mohd Daud Bakar <i>(Non-Independent Non-Executive Director)</i></td><td>Member</td></tr><tr><td>5.</td><td>Encik Rizal Rickman Ramli <i>(Non-Independent Non-Executive Director)</i></td><td>Member</td></tr></tbody></table> <p>The Board has adopted the Terms of Reference of RMC which is available on the Company's website at <a href="http://www.simedarbyproperty.com">www.simedarbyproperty.com</a>. The Risk Management Committee report is presented on page 161 of the Annual Report 2018.</p>	No.	Director / Designation	Membership	1.	Dato' Jaganath Derek Steven Sabapathy <i>(Independent Non-Executive Director)</i>	Chairman	2.	Tengku Datuk Seri Ahmad Shah Alhaj ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj <i>(Independent Non-Executive Director)</i>	Member	3.	Dato' Johan Ariffin <i>(Independent Non-Executive Director)</i>	Member	4.	Datuk Dr Mohd Daud Bakar <i>(Non-Independent Non-Executive Director)</i>	Member	5.	Encik Rizal Rickman Ramli <i>(Non-Independent Non-Executive Director)</i>	Member
No.	Director / Designation	Membership																		
1.	Dato' Jaganath Derek Steven Sabapathy <i>(Independent Non-Executive Director)</i>	Chairman																		
2.	Tengku Datuk Seri Ahmad Shah Alhaj ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj <i>(Independent Non-Executive Director)</i>	Member																		
3.	Dato' Johan Ariffin <i>(Independent Non-Executive Director)</i>	Member																		
4.	Datuk Dr Mohd Daud Bakar <i>(Non-Independent Non-Executive Director)</i>	Member																		
5.	Encik Rizal Rickman Ramli <i>(Non-Independent Non-Executive Director)</i>	Member																		



### 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>The Group Corporate Assurance (“GCA”) is an in-house internal audit function which is led by a Chief Assurance Officer (“CAO”) who reports directly to the Governance and Audit Committee (“GAC”) and administratively to the Group Managing Director.</p> <p>As guided by the GCA Charter which was approved by the GAC on 23 August 2018, the GCA is an independent and objective function that supports the:</p> <ol style="list-style-type: none"><li>1) Organisation in achieving its defined strategic, operational, financial and compliance objectives; and</li><li>2) Board of Directors and its Committees in discharging their governance responsibilities.</li></ol> <p>The CAO functions, include among others, as follows:</p> <ol style="list-style-type: none"><li>1) Provides regular assessment on the adequacy and effectiveness of the Group’s processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work;</li><li>2) Report significant issues related to the processes for controlling the activities of the company, including potential improvements to those processes and provide information concerning such issues through resolution;</li><li>3) Periodically provide information on the status and results of the annual GCA plan as well as the adequacy of resources; and</li><li>4) Design, maintain and resource an effective and efficient internal audit organisation in GCA.</li></ol> <p>To ensure that the responsibilities of GCA are fully discharged, the GAC:</p> <ol style="list-style-type: none"><li>1) Recommend to the Board the appointment, transfer or dismissal of the CAO;</li><li>2) Assess and review the performance and effectiveness of the CAO; and</li></ol>

	<p>3) Provide appraisal or assessment of the performance of the GCA function and performance of the CAO.</p> <p>The GCA engagements were carried out based on the audit plan for 2017/2018 as approved by the GAC. The results of the audits as disclosed in the GCA reports were reviewed by GAC and discussed at quarterly GAC meetings. The relevant Management members were made responsible for ensuring corrective actions on reported weaknesses were taken within the required timeframes. GCA conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately.</p> <p>A summary of the GCA's activities during the financial year ended 30 June 2018 is set out in the GAC Report on page 158 in the Annual Report 2018.</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 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>In accordance with the Group Corporate Assurance (“GCA”) Charter, the GCA acts as an independent and objective function that supports Sime Darby Property Group in achieving its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>As at March 2018, the GCA is led by the Chief Assurance Officer (“CAO”), Encik Aravindan K. Devapalan who is a fellow member of the Chartered Association of Accountants and a member of Malaysian Institute of Accountants.</p> <p>The GCA department is staffed by seventeen (17) internal auditors including the CAO, with relevant experience and qualifications and all of which are free from any relationship or conflicts of interest, which could impair their objectivity and independence.</p> <p>As per the GCA Charter, the GCA activities are governed by adherence to the Institute of Internal Auditors’ mandatory guidance including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (“Standards”). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the corporate governance activity’s performance.</p> <p>The Institute of Internal Auditors’ Practice Advisories, Practice Guides and Position Papers will be adhered to as applicable to guide operations. In addition, the GAC activity will adhere to the Group’s relevant policies and procedures and the assurance activity’s standard operating procedures manual which has been drawn up with reference to the Standards.</p>

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

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As part of the effort in strengthening its relationship with the shareholders, the Company is committed to continuously disclose and disseminate comprehensive and timely information to its shareholders as well as to the general investing public.</p> <p>Sime Darby Property values constant dialogue and is committed to clear communication with its shareholders and investors. In this respect, as part of the Group's active investor relations programme, discussions and dialogue are held with fund managers, financial analysts, shareholders and the media to convey information about the Group's performance, corporate strategies and other matters affecting shareholders' interests.</p> <p>During the financial year, the Group had conducted quarterly press and analysts' updates and held meetings with investors and research analysts. The Group had also participated in domestic and overseas roadshows and investors conferences in Malaysia and Singapore.</p> <p>Sime Darby Property has incorporated a section for "Investor Relations" in its website at <a href="http://www.simedarbyproperty.com">www.simedarbyproperty.com</a> which provides all relevant information on the Group such as quarterly results, financial results, Bursa announcements, Board Charter, Terms of Reference for Board Committees, stock performance, investor presentations and Investor calendar.</p> <p>Any enquiries on investor related matters may be directed to <a href="mailto:investor.relations@simedarbyproperty.com">investor.relations@simedarbyproperty.com</a> or:</p> <p>Sime Darby Property Berhad Level 7, Block G No. 2, Jalan PJU 1A/7A Ara Damansara, PJU 1A 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel: +603-7849 5000</p>

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

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Sime Darby Property has embarked into its integrated reporting journey in its very first issuance of annual report for the financial year ended 30 June 2018, in order to provide quality information and promote greater transparency and accountability to the stakeholders. The Board recognises that the integrated reporting approach is an ongoing journey, and would continue to keep abreast with the latest requirements of integrated reporting framework.
<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 12.1

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>Pursuant to the listing of Sime Darby Property on 30 November 2017, it will hold its inaugural Annual General Meeting (“AGM”) as a listed entity on 31 October 2018.</p> <p>Sime Darby Property targets to despatch the notice of the 45<sup>th</sup> AGM to its shareholders at least 28 days before the AGM, well in advance of the 21 days requirement under the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The additional time given to the shareholders is to allow them to scrutinise the Annual Report / Abridged Annual Report and make the necessary arrangements to attend and participate the meeting in person or through corporate representatives or proxies.</p> <p>Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution.</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>	:	The Board assures that all Directors will be present at the forthcoming Annual General Meeting (“AGM”). The Chairmen of the Nomination and Remuneration Committee, Governance and Audit Committee and Risk Management Committee would also be present to provide response if there are any questions addressed to them during the AGM.	
<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 12.3

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>	:	Sime Darby Property has yet to facilitate voting in absentia and remote shareholders’ participation at General Meetings.	
		Resolutions to be voted at the 45 <sup>th</sup> Annual General Meeting (“AGM”) would be conducted via e-polling where a poll administrator would be appointed to conduct the polling process. Meanwhile, shareholders would also have the option to appoint any persons as their proxies to attend, participate, speak and vote in their stead at the AGM.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Sime Darby Property will continue to explore and identify a suitable and reliable system to facilitate voting in absentia and remote shareholders’ participation at general meetings, considering all applicable requirements, necessary framework, processes and concerns.	
<b>Timeframe</b>	:	Others	Please specify number of years.

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

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

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