

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 8664  
**COMPANY NAME** : S P SETIA BERHAD  
**FINANCIAL YEAR** : December 31, 2018

### **OUTLINE:**

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p><b>Setting Strategic Direction</b></p> <p>The Board of Directors ("Board") of S P Setia Berhad ("S P Setia" or "the Company") is responsible for the overall governance of the Group and plays an active role in determining the long-term direction and strategy of the Group in order to enhance shareholders' value.</p> <p>The responsibilities of the Board include defining and determining the strategic direction, directing future expansion, implementing corporate governance, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, human resource planning and development, reviewing investments made by the Company, overseeing the proper conduct of business and reviewing the adequacy and the integrity of the Company's internal control system and management information system.</p> <p>There is a schedule of matters reserved specifically for the Board's decision which includes, among others, the approval of annual business plans and budgets, material acquisitions and disposals of assets, major capital projects, financial results, dividend recommendations, fund raising exercises and Board appointments.</p> <p>The Director/President and Chief Executive Officer ("CEO") together with the Deputy President and Chief Operating Officer ("COO"), Chief Financial Officer ("CFO") and Executive Vice Presidents of the Group are accountable for the day-to-day management of financial, business and operational matters of the Group within the prescribed limits of authority and in accordance with the Group's standard operating procedures, including transforming strategies into performance targets to realise the approved business plan for the year. They are in turn supported by a management committee which comprises the heads of all business units and support units.</p> <p>The Group's Key Performance Indicators, comprising financial and non-financial operating drivers, for each financial year are set and approved by the Board to be achieved by the Management, led by the President and CEO. Performance of the Group against budget is</p>

reviewed and tracked by the Board on a quarterly basis in conjunction with the approval of the unaudited quarterly results of the Group. At the end of each financial year, the Board undertakes a full year review of the Group's performance against the budget and business plan approved by the Board in the preceding year.

During the financial year ended 31 December 2018 ("FY2018"), an Offsite Board Strategy Meeting was held to discuss and set the strategic direction of the Group for the next five (5) years which was also attended by the Senior Management of the Group where aspirations and assumptions were presented and constructively challenged by the Board taking into consideration amongst others the prevailing market and economic conditions and regulatory landscape in Malaysia as well as the countries the Group operated in. The strategy session and the discussions and feedback from the Board set the foundation of the 2019 Business Plan and Budget, which was presented and approved by the Board in December 2018, and aligned management actions towards meeting the long term goals of the Group.

#### **Talent Management, Compensation and Succession Planning**

The Nomination and Remuneration Committee ("NRC") together with the President and CEO undertake a periodic review of the organisation structure to ensure that optimum infrastructure and arrangements are in place including effectiveness of oversight function, adequacy of resources and talents required to support and manage the business and operations of the Group. The NRC is also involved in the selection and interview sessions, if any, in respect of the key positions in the Company prior to their appointments.

The Company undertakes an annual survey that serves as a barometer to measure the overall climate of the Company and to identify key issues and concerns of employees in order for the Management to construct action plans to address issues and concerns, if any. This effort is part of the Company's continuous commitment to nurture and sustain a team of passionate and dedicated talents to achieve the Company's business goals and direction.

The Company has in place a job evaluation program, talent management framework and succession planning program which serve to ensure that it is a strategic approach in developing a healthy human capital pipeline that meets the needs of the Group.

#### **Access to Information and Advice**

The Board has full and unrestricted access to all information pertaining to the Group's business and affairs including inter alia, financial results, annual budgets, business reviews against business plans and progress reports on the Group's developments and business strategies, to enable it to discharge its duties effectively.

The Board is kept engaged on announcements made by the Company to Bursa Malaysia Securities Berhad ("Bursa Securities") on significant transactions, whereas news coverage on the events,

	<p>analyst reports and matters concerning the Group reported in the media are disseminated to all the Directors on a daily basis.</p> <p>Senior Management officers and external advisers may be invited to attend Board meetings when necessary, to furnish the Board with explanations and comments on the relevant agenda items tabled at the Board meetings or to provide clarification on issue(s) that may be raised by any Director.</p> <p>All Directors have direct and unrestricted access to the advice and services of the Company Secretary and Senior Management and the Board may seek independent professional advice, at the Company's expense, if required, in furtherance of their duties.</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

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><b>Chairman of the Board</b></p> <p>For FY2018, the Board was satisfied with the performance of the Chairman of the Board, Tan Sri Dato' Seri Dr. Wan Mohd Zahid bin Mohd Noordin. The Chairman ensured that good corporate governance practices were implemented, and promoted the highest standards of integrity throughout the Group at the Management and Board level. The Chairman also ensured that the Board was thoroughly briefed on matters presented to the Board at Board meetings and received adequate information in a timely manner to facilitate informed decision making by the Board.</p> <p>The Chairman worked closely with the NRC to ensure that the structure of the Board was optimum including satisfactory mix of skills, qualifications, experience and diversity in the composition of the Board.</p> <p>The Terms of Reference of the Chairman is set out in the Board Charter which is available on <a href="http://www.spsetia.com">www.spsetia.com</a>.</p> <p><b>Training</b></p> <p>All the Directors have attended the Mandatory Accreditation Programme within the timeframe prescribed and/or such extension as allowed by Bursa Securities.</p> <p>The Directors will continue to undergo other relevant training programmes and seminars from time to time as they consider necessary to equip themselves with the relevant knowledge and ideas to discharge their duties effectively.</p> <p>The Corporate Secretariat function facilitates the organisation of Directors' attendance at external programmes while keeping a record of the training received or attended by the Directors. The training records are tabled for notation of the NRC and Board on a half-yearly basis, which assist the NRC and Board on the assessment and determination of the training needs of the Directors.</p> <p>The trainings attended by the Directors in FY2018 are set out on pages 117 to 120 of the Integrated Report 2018.</p>

	<p><b>Time Commitment</b></p> <p>The Board meets at least five (5) times a year at quarterly intervals with additional meetings convened as and when necessary to approve quarterly financial results, business plans, budgets and other business development activities. The Board and Board Committee meetings for the whole year are scheduled in advance at the preceding financial year to enable the Board members to plan their schedules accordingly. All proceedings of the Board and Board Committee meetings are duly minuted, approved and signed by the Chairman of the Meeting.</p> <p>The Board places importance on the contributions given through robust discussions by the Directors at each Board and Board Committee Meetings. In FY2018, all the Directors had complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated in the Company's Constitution. The Board was satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.</p> <p>The Directors' attendance at Board and Board Committee meetings and Annual General Meeting held during FY2018 is set out in the CG Overview Statement on page 106 of the Integrated Report 2018.</p> <p>The Directors are aware of the limits of directorships they could have in public listed companies quoted on Bursa Securities. While Directors notified the Company Secretaries as and when they were appointed to other boards, the Directors also provided updates of their directorships and shareholdings in other companies on a quarterly basis, which were tabled to the Board for notation.</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**

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>There is a clear division of responsibilities between the Chairman and the President and CEO to ensure a balance of power and authority and no individual has unfettered powers of decision and control.</p> <p>The Chairman is responsible for conducting meetings of the Board and shareholders, ensuring all Directors are properly briefed during Board discussions and shareholders are informed of the subject matters requiring their approval. All Directors are jointly responsible for determining the Group's strategic business direction.</p> <p>The Group is led by the President and CEO who is responsible for the overall management of the Group, ensuring that strategies, policies and matters set by the Board are effectively implemented.</p> <p>During FY2018, the Chairmanship was held by Tan Sri Dato' Seri Dr. Wan Mohd Zahid bin Mohd Noordin while the position of President and CEO was held by Dato' Khor Chap Jen.</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

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 Company Secretary of the Company is a qualified company secretary under Section 235 of the Companies Act 2016 ("Act") and is also the secretary to the Board Committees. The Company Secretary plays an advisory role to the Board, particularly with regard to the Company's Constitution and Board policies and procedures as well as compliance with relevant rules and regulations.</p> <p>Besides playing an advisory role, she is responsible for arranging and preparing the schedule of Board and Board Committee meetings for the whole year in advance so that sufficient time is given to the Directors to plan their schedules and enable them to attend the meetings. The agenda for the meeting is prepared by the Company Secretary and approved by the Chairman of the Board and Board Committees. She will ensure that deliberations at Board and Board Committee meetings are clearly and comprehensively recorded as source documents. Decisions of the Board and Board Committees and matters requiring further actions are then communicated to the Management and/or escalated by the Management to the relevant approving authority for approval, if necessary. Updates on the follow-up actions are reported to the Board and Board Committees at the subsequent meetings until closure.</p> <p>The Company Secretary notifies the Board and principal officers of the Company on the open periods and closed periods pending announcement of the Company's quarterly interim financial reports to Bursa Securities so as to ensure that any dealings in the securities of the Company and the disclosure obligations under the Listing Requirements arising therefrom are adhered to by the Directors and principal officers of the Company. The Company Secretary collates and tables the summary of the dealings to the Board on a quarterly basis for information.</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>	:	The agenda and board papers were circulated to the Board members a week prior to the Board meetings to allow sufficient time for the Board to review, consider and deliberate knowledgeably on the issues and, where necessary, to obtain further information and explanations to facilitate informed decision making.	
<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><b>Board Charter</b></p> <p>The Board Charter sets out among others the responsibilities of the Board, matters reserved for the Board, segregation of roles between the Chairman, Executive Director and Non-Executive Directors ("NEDs"), responsibilities of the Board Committees and remuneration framework for the NEDs. The last review was conducted in 2018 and the Board Charter was then updated accordingly.</p> <p>The Board Charter is available on <a href="http://www.spsetia.com">www.spsetia.com</a>.</p> <p><b>Governance Structure</b></p> <p>The Board has delegated certain responsibilities to various Board Committees, all of which operate within their respective defined terms of reference to assist the Board in the discharge of its duties and responsibilities. These Committees report to the Board on matters discussed and deliberated and/or make recommendations to the Board for final decisions, except to the extent where certain matters are delegated by the Board to the Committees.</p> <p>Under the board governance structure, the Board Committees include the Executive Committee ("EXCO"), Audit Committee ("AC"), Risk Management Committee ("RMC") and NRC. The Terms of Reference ("TOR") of the relevant committees are available on <a href="http://www.spsetia.com">www.spsetia.com</a>.</p> <p>The composition of the Board Committees of the Company is set out on page 17 of the Integrated Report 2018.</p> <p>Notwithstanding that the Board Committees are delegated with certain responsibilities, the Chairmen of the Board Committees report to the Board and minutes of Committee meetings are tabled to the Board to keep the Board apprised of matters being considered and deliberated by the respective Committees.</p> <p>In addition to the above, monthly updates on the progress of the identified significant projects are submitted to the EXCO at the monthly meeting. The same progress reports and quarterly status reports summarising various key operating indicators of the Group from the President and CEO are provided to the Board.</p>

	<p>The Board has in place an overall board governance model which also serves to provide clear guidelines to the Company on the criteria for representation of the Board of the Company (“Main Board”) in significant projects or investments, aimed at enabling direct line of sight of the Main Board in an effort to further improve the Board’s oversight function as well as to allow the Management to leverage and tap on the expertise of the NEDs of S P Setia. While the respective boards of directors of the significant projects or investments will continue to monitor execution of projects in a timely manner, strategic and policy matters of the Company will be decided by the Main Board and thereafter, cascaded to the Group for implementation.</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 3.1

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>	:	The Company has in place a Code of Conduct and Business Ethics ("Code of Conduct") to actively promote and establish a corporate culture which promotes ethical conduct that permeates throughout the Group. The Code of Conduct serves as a road map to help guide actions and behaviours while working for and/or dealing with the Company to maintain high standards of business ethics and encourage performance with integrity. Provisions covered include relationships between Staff and Management, the Company and Customers, Suppliers, Vendors and Contractors. All employees are required to read, understand, accept and abide by the terms of Code of Conduct and all new staff are briefed on the requirements of the Code of Conduct as part of the Company's induction programme. The Code of Conduct is actively and effectively communicated via the Company's intranet and is also subject to regular review and updates, as necessary, by the RMC. A summary of the Code of Conduct is available on <a href="http://www.spsetia.com">www.spsetia.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**

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 Company has in place a Whistleblowing Policy which is aimed at protecting integrity, transparency, impartiality and accountability where S P Setia Group conducts its business operations. The Whistleblowing Policy provides a structured reporting channel and guidance to all employees and external parties to whistleblow without the fear of victimisation. The Whistleblowing Policy is available for access on the Company’s intranet and <a href="http://www.spsetia.com">www.spsetia.com</a>.</p> <p>The AC performs the oversight function over the administration of the policy while the Chief Internal Auditor administers the policy. The whistleblower has the option of reporting his/her concern to the line manager or general manager or directly to the AC Chairman. There is a platform for concerns to be submitted electronically via the S P Setia Whistleblowing Portal which is available on <a href="http://www.spsetia.com">www.spsetia.com</a>.</p> <p>The Group Internal Audit collates and presents reports, if any, received through the portal to the AC 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>The Board acknowledges the importance of Independent Non-Executive Directors (“INED(s)”), who provide objectivity, impartiality and independent judgement to ensure that there is an adequate check and balance on the Board. The INEDs ensure that business and investment proposals presented by management are fully deliberated and examined. They perform a key role by providing unbiased and independent views, advice and judgement, which take into account the interests of the Group and all its stakeholders including shareholders, employees, customers, business associates and the community as a whole.</p> <p>In February 2018, the NRC and Board reviewed the composition of the Board with regard to the mix of independence on the Board. Upon being satisfied that Dato’ Halipah binti Esa and Dato’ Zuraidah binti Atan would be able to exercise independent judgment and act in the best interests of the Company, Dato’ Halipah binti Esa and Dato’ Zuraidah binti Atan were re-designated as INEDs of the Company on 28 February 2018. Since then and throughout FY2018, the Board comprised of the 60% INEDs.</p> <p>The Board practised active and open discussions at Board meetings so as to ensure that opportunities were given to all Directors to participate and contribute to the decision making process. Vigorous deliberations and all the views given by the Directors were considered before decisions were made by the Board. There was an existing process for the Chairman and Directors to declare and abstain from discussion in a situation where a conflict of interest might arise in order to uphold the integrity of the decisions made by the Board.</p> <p>During the year, the NRC and Board assessed the independence of the INEDs as part of the Board Effectiveness Evaluation (“BEE”) process. The Board was satisfied with the level of independence demonstrated by all the INEDs and that they could continue to bring sound, independent and objective judgement to Board deliberations through active participation in discussions in decision making by the Board and their ability to act in the best interest of the Company. All the INEDs had also provided his/her confirmation on his/her independence to the NRC and Board.</p> <p>Besides annual assessment, for any new appointment as an independent director, the potential candidate must submit his/her declaration of independence in compliance with the criteria set out in the Listing Requirements to the NRC and Board for consideration prior to his/her appointment.</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>	:	<p>The Board has not adopted the nine (9) year rule limit for INEDs. Upon completion of the nine (9) years, an INED may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director or upon approval being obtained from the shareholders.</p> <p>As at 31 December 2018, none of the INEDs have served more than nine (9) years on the Board.</p>

### 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>Boardroom Diversity</b></p> <p>The composition of the Board fulfils the prescribed requirement for at least one-third (1/3) of the Board to be independent as stated in Paragraph 15.02 of the Listing Requirements. The profiles of the Directors are set out in pages 30 to 39 of the Integrated Report 2018.</p> <p>The Board takes cognisance of the need for diversity and inclusiveness in its composition which provides the Board the benefits of different perspectives to bear on issues and sound decisions that are aligned to customer and investor needs. The Board considers diversity from various areas, including gender, age, ethnicity, academic and professional qualification, experience and skills.</p> <p>In approving the appointment of Board members and senior management, it is a practice for the NRC to consider candidates from different academic background, their experiences, age, cultural background and gender before making decision on the appointments. Appointment is based on merit.</p> <p>The NRC and Board undertook the annual review of the Board composition having regard to the mix of skills, experience, age, cultural and gender of the existing Directors.</p> <p>The Board was satisfied that its composition reflected a balance of Independent and Non-Independent Directors with a mix of highly qualified and experienced individuals who have distinguished themselves in the legal, financial, engineering, accounting, banking and public service arenas. This combination of different professionals and skills provide much insight and a diversity of perspectives to lead and guide the Group in an increasingly complex and competitive business environment and for the continued successful direction of the Group.</p> <p>The Board maintained its women representation of 30% of the Board composition throughout FY2018.</p> <p><b>Re-Election of Directors</b></p> <p>The NRC reviewed the performance of the Directors who were subject to re-election at the 43rd AGM of the Company held on 17 May 2018 ("43rd AGM") and had recommended to the Board the re-election of Tan Sri Dato' Seri Dr. Wan Mohd Zahid bin Mohd Noordin, Dato' Halipah Binti Esa and Tengku Dato' Ab. Aziz Bin Tengku</p>

	Mahmud. The Board concurred with the NRC's views and recommended the re-election of Tan Sri Dato' Seri Dr. Wan Mohd Zahid bin Mohd Noordin, Dato' Halipah Binti Esa and Tengku Dato' Ab. Aziz Bin Tengku Mahmud, all of whom had offered themselves for re-election at the 43rd AGM and were re-elected thereat.	
<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 4.5**

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>	:	The Board comprised of 30% women Directors throughout FY2018.	
<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>There were no new appointments to the Board in 2018 as the Board was satisfied with its current composition.</p> <p>Nonetheless, the Board took cognisance of the recommendation to utilise independent sources to identify suitably qualified candidates should the need arises in future.</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>Mr Philip Tan Puay Koon, INED, was appointed as Chairman of the NRC on 15 May 2018, replacing Dato' Ahmad Pardas bin Senin, and has served in that position to-date.</p> <p>The NRC has specific responsibilities with respect to assisting the Board in proposing new nominees for the Board and Board Committees, developing, establishing competitive remuneration policies and packages and assessing the Directors on an ongoing basis as well as administering S P Setia Group Employees' Long Term Incentive Plan ("LTIP") comprising the Employee Share Option Scheme and the Employee Share Grant Plan.</p> <p>During FY2018, the NRC comprises three (3) members, of which the majority are INEDs. The Chairman of the NRC is an INED. The Members of the NRC were:</p> <ol style="list-style-type: none"> <li>1. Mr Philip Tan Puay Koon (INED) - Chairman</li> <li>2. Dato' Ahmad Pardas bin Senin (INED) - Member;</li> <li>3. Dato' Azmi bin Mohd Ali (Non-INED) - Member; and</li> </ol> <p>Details of the activities of the NRC are set out in the NRC Report on pages 108 to 110 of the Integrated 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>	:	Departure
<b>Explanation on application of the practice</b>	:	<p>The Board undertakes annual BEE to evaluate the performance of the Board and Board Committees.</p> <p>In FY2018, the Board performed an assessment on its effectiveness which was internally facilitated. The focus areas of the assessment included inter alia the Board and Board Committees' compositions, roles and responsibilities, time commitment and contribution of Directors during Board and Board Committees' meetings. The BEE questionnaires were circulated to all the Directors for their evaluation. Subsequently, the NRC and the Board reviewed the outcome of the BEE.</p> <p>In assigning a rating, the Directors had taken into consideration the contribution of each Director and member of the Board Committee towards ensuring that the role and responsibilities of the Board and Board Committees were executed effectively.</p> <p>The Board took cognisance of the recommendation to appoint independent experts periodically to facilitate objective and candid board evaluations.</p>
<b>Explanation for departure</b>	:	<p>The BEE process for FY2018 was internally facilitated.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	The Board will consider the appointment of independent experts to facilitate objective and candid board evaluations in 2019.

### 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><b>Directors' Remuneration</b></p> <p>The Company's remuneration policy for Directors is designed to enable the Company to attract and retain experienced and knowledgeable individuals of the calibre needed to support the Company's ambitious expansion plans in line with its overall objective of delivering long-term value to its shareholders. The remuneration packages are structured to incentivise and encourage creativity and innovation appropriate for a property, infrastructure and construction company.</p> <p><b>Remuneration Procedures</b></p> <p>The NRC recommends to the Board the remuneration package for the Director/President and CEO. The remuneration package for the Director/President and CEO is structured on the basis of linking rewards to corporate and individual performance. Performance is measured against the results achieved by the Group and individual achievement against targets set at the beginning of each year. It is the ultimate responsibility of the entire Board to approve the remuneration of the Director/President and CEO and he shall abstain from deliberations and voting on his own remuneration.</p> <p>In the case of NEDs, the remuneration package is determined by the Board as a whole on the recommendation of the NRC. The last review of the remuneration framework of the NEDs was undertaken by the NRC and the Board in FY2017 with the aim of achieving a competitive, sustainable and transparent remuneration policy which set the current remuneration framework. In determining the appropriate level of remuneration, a benchmark study was conducted against other public listed companies on Bursa Securities and peers in the same industry to ensure that a sustainable remuneration level was adopted by the Board that is able to attract, retain and motivate Directors.</p> <p>In FY2018, the NRC was updated with the current practices and level of remuneration of peers in the industry as part of its continuous efforts to ensure that the remuneration policy of the Company remains competitive to attract, retain and motivate Directors on the Board.</p>

### Basic Salary

The basic salary (inclusive of statutory employer's contributions to the Employees Provident Fund) for the Director/President and CEO is recommended by the NRC, taking into account the individual responsibility, contribution, performance, and additional responsibilities of the Director, as well as the market-rate for similar positions in comparable companies. Any increment to basic salary payable to the Director/President and CEO is reviewed by the NRC and approved by the Board.

### Fees and Other Emoluments

The NEDs are remunerated by way of fees and allowances. Fees payable to the NEDs are subject to shareholders' approval at the AGM. The remuneration framework for the NEDs is available in the Board Charter.

The shareholders had at the 43<sup>rd</sup> AGM of the Company held on 17 May 2018 approved the payment of Director's fees for NEDs amounting to RM50,000 per month for the Non-Executive Chairman and RM12,000 per month for each of the NEDs of the Company for FY2017 and FY2018.

The shareholders had at the same meeting also passed the resolution to authorise the Directors to approve payment of allowances and certain benefits to the NEDs.

### Benefits / Benefits-In-Kind

Other benefits (such as chauffeur, security services and share based payments) are made available as appropriate.

The shareholders of the Company approved the establishment of the Company's LTIP at the Extraordinary General Meeting held on 28 February 2013. In February 2017, the Company announced that the Board has approved the extension of the duration of the LTIP, which commenced on 10 April 2013 and was due to expire on 9 April 2018, for another five (5) years up to 9 April 2023 pursuant to Clause 18.2 of the By-Laws of the LTIP.

The design of the LTIP was approved by the Board and the administration of the LTIP in accordance with the By-Laws was delegated to the NRC. In 2018, the NRC approved the FY2018 grant of shares and options to the Director/President and CEO and eligible employees of the Group. An announcement was made to Bursa Securities with regard to the FY2018 grant.

Besides the Director's fees and allowances, the Company has arranged for the Directors' and Officers' Liability Insurance to indemnify the Directors and Officers of the Group against liability incurred by them during the discharge of their duties while in office.

For FY2018, the Directors were provided with medical allowances, hospitalisation and travel insurances under the Group's insurance policies.

Description of Remuneration/Benefits of Non-Executive Directors for FY2018	
Monthly Directors' Fees	Chairman of the Board - RM50,000 Member of the Board – RM12,000
Monthly Fixed Allowance	Chairman of Board Committee – RM3,000 Member of Board Committee – RM2,000
Meeting Allowance	Board Member - RM1,500 per meeting

	Board Committee Member - RM1,500 per meeting
Allowance for membership on the board of directors of significant project/investment as appointed by the Board of the Company	RM5,000 per month
Other Benefits	Driver for Chairman, Directors' and Officers' Liability Insurance, medical, hospitalisation and travel insurances and other claimable benefits.

### Senior Management's Remuneration

S P Setia has a group Policy on Remuneration that applies to all employees and this works within our Performance Framework. The Policy is being reviewed from time to time to be relevant to the market in ensuring that we are able to attract and retain the best talent. This a core process within our People Plan as it is the platform where we get the right talent for the right role and reward the respective talent according to the company's achievement. The Company drives performance based on a merit achievement and this is consistent with our aim of having a "high performance team".

The performance management process follows the cycle below:



#### **Performance Planning**

KPI targets and measures are planned and agreed upon at this stage, as well as the development plan for the staff. This is conducted at the beginning of the financial year.

#### **Performance Monitoring**

Feedback for the first six months performance. This review which is done in July is solely for monitoring purposes. This is also a period for development discussion.

#### **Year-End Performance Review**

Review performance for the twelve months against the plan. Discussion on achievements and identifying future development opportunities.

The remuneration is done based on the individual's achievement against his/her targets. These are also calibrated across as it follows both the KPI and competencies rating following the respective categories. We have a comprehensive framework describing the "behaviors" expected of each of the competencies and this serves as a guide to the employee for his/her development. This also provides for a consistent and standard assessment for all managers in assessing their employees.

The following are the key principles that we are guided by in driving our Remuneration Policy:

	<ol style="list-style-type: none"> <li>1. Pay at the salary point that is aligned to our position as a leading Company in this industry <ol style="list-style-type: none"> <li>a. We benchmark ourselves against both the comparable companies within our industry as well as high performing companies as we see our talent pool being stretched across all industries.</li> <li>b. We review our salary data against the market salary data on annual basis using an external consultant and present to the NRC and Board for any reviews where appropriate in line with our Policy of attracting and retaining the best talent.</li> </ol> </li> <li>2. Pay for Performance <ol style="list-style-type: none"> <li>a. We practice a broad salary band with a range from minimum to mid to high/Premium.</li> <li>b. The salary band will indicate the level of competencies and experience of the employee and serves as a comparative guide for internal equity.</li> </ol> </li> <li>3. Pay within a proper governance and mitigate the risk for the company <ol style="list-style-type: none"> <li>a. We will position ourselves in a leading position, however will not go overboard as long term sustainability is key.</li> </ol> </li> </ol>
<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**

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 NRC to oversee remuneration matters of the Board and Senior Management of the Group.</p> <p>Details of the activities of the NRC with regard to remuneration and related matters are set out in the NRC Report on page 110 of the Integrated Report 2018.</p> <p>The TOR of the NRC is available on <a href="http://www.spsetia.com">www.spsetia.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

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>	:	Remuneration matters are confidential and sensitive. The disclosure of remuneration of the senior management would not be in the best interest of the Company given the highly competitive property industry where talent poaching is common.  We have explained the Company's Policy on Remuneration that applies to all employees including senior management, under Practice 6.1 above.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Company has undertaken salary and benefits benchmarking exercise in 2017 to ensure inter alia the competitiveness of the overall staff compensation of the Group.  The Board will continuously monitor the matter and consider the appropriateness of such disclosure in the future. The total remuneration of the senior management is set out on page 263 of the Integrated Report 2018.
<b>Timeframe</b>	:	Others

**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>	:	Please see explanation set out in Practice 7.1 and 7.2 above.

### 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 AC comprised of three (3) members with a majority of INEDs. They were:</p> <ol style="list-style-type: none"><li>1. Noraini binti Che Dan (INED) – Chairman.</li><li>2. Philip Tan Puay Koon (INED) – Member.</li><li>3. Dato' Zuraidah binti Atan (INED) – Member.</li></ol> <p>Puan Noraini binti Che Dan, who is the Chairman of the AC is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. The composition of the AC is in compliance with Paragraph 15.09 of the Listing Requirements. Puan Noraini binti Che Dan is not the Chairman of the Board of the Company.</p> <p>The AC assists the Board in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and development of sound internal controls.</p> <p>In presenting the annual audited financial statements and quarterly announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The AC assists the Board by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy prior to release to Bursa Securities and the Securities Commission.</p> <p>The Directors are required by the Act to prepare financial statements for each financial year which have been made out in accordance with the provisions of the Act and applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial period and of the results and cash flows of the Group and of the Company for the financial period.</p> <p>The Directors are satisfied that in preparing the financial statements of the Group and of the Company for FY2018, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.</p> <p>The Statement of Directors' Responsibility is also enclosed in page 295 of the Integrated 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**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company’s External Auditors Policy required a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AC. This requirement was adopted by the Board on 17 August 2017.</p> <p>Even prior to that, the AC did not comprise former key audit partner of the Company’s External Auditors.</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 external auditors play an important role in ensuring the reliability of the Company's financial statements and providing the assurance of accuracy to shareholders. The Board via the AC maintains a formal and transparent professional relationship with the Group's external auditors. The role of the AC in relation to the auditors is described in the AC Report set out on page 113 of the Integrated Report 2018.</p> <p>The Company has in place a policy to assess the suitability and independence of external auditors. A performance review of the external auditors will be conducted annually by the AC. There are specific non-audit services set out in the policy that are prohibited from being performed by the external auditors unless the AC's approval is obtained.</p> <p>The suitability and independence of the external auditors is assessed from different dimensions which are provided in the policy inter alia limitation to the number of years for lead engagement partner and other key audit partners, level of non-audit services provided by the external auditors and its affiliated companies to the Group and the appropriateness of the level of fees, issues that have occurred or could potentially occur during the financial year that would affect the independence of the external auditors and employment of key audit partners and senior audit staff formerly employed with the external auditors. The policy also prescribes that former key audit partner shall observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.</p> <p>The external auditors shall provide a written assurance to the Audit Committee 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.</p> <p>For further information on the activities carried out by the AC during FY2018 and internal audit function of the Group, please refer to the AC Report on pages 113 to 115 of the Integrated 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**

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>	:	With effect from 15 May 2018, the AC comprised of 3 members of whom all are INEDs.

### 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 AC comprised of members with diverse qualification, expertise and experience ranging from accounting, finance, risk management, banking, treasury and legal. The Board was satisfied with the mix of skills of the AC as a whole to effectively discharge its duties and responsibilities.</p> <p>The NRC reviewed the performance of the AC and length of service of each of the AC members in accordance with Paragraph 15.20 of the Listing Requirements to determine whether the AC had carried out its duties in accordance with their TOR. The NRC was satisfied that the AC has performed its functions in accordance with the TOR during the period under review.</p> <p>During FY2018, the AC attended the briefing on Sales and Services Tax and other briefings on changes to accounting standards, which were organised by the Company. The details of other trainings attended by the AC Members are set out on pages 117 to 120 of the Integrated 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 maintains a sound risk management framework and system of internal control to safeguard shareholders' investment and the Group's assets. A management level Management Risk Team under the purview of the President and CEO spearheads risk management activities to assist the RMC in ensuring adequate risk management controls are in place in the Group.</p> <p>The RMC assists the Board in overseeing the risk management process within S P Setia Group, leading the Group's strategic direction in the management of the Group's business risks, establishing and implementing a risk management framework and reviewing the effectiveness of the risk management framework.</p> <p>The Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group is set out on pages 126 to 136 of the Integrated 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 9.2**

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>	:	Please refer to the Statement of Risk Management and Internal Control on pages 126 to 136 of the Integrated 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 Board has established the RMC which comprised of majority INEDs. The RMC comprised of the following members:</p> <ol style="list-style-type: none"><li>1. Dato' Ahmad Pardas Bin Senin (INED) – Chairman;</li><li>2. Dato' Seri Ir Hj Mohd Noor Bin Yaacob (INED) – Member;</li><li>3. Dato' Halipah binti Esa (INED) - Member; and</li><li>4. Tengku Dato' Ab. Aziz Bin Tengku Mahmud (Non-INED) – Member.</li></ol>

**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 Internal Audit (“GIA”) is an in-house function and it is an independent, effective and integral part of the assurance framework.</p> <p>At each of the quarterly AC Meetings held in FY2018, the AC received the internal audit reports from GIA which also served as a platform for an on-going performance review of the internal audit function so as to ensure that they were effective and independent in the discharge of their duties and responsibilities in providing independent assessment of the internal controls of S P Setia Group.</p> <p>Apart from that, the AC performs annual review on the performance of the Chief Internal Auditor (“CIA”) and internal audit department personnel, the adequacy of the scope of work, function, ability to access information, budget and sufficiency of resources of the department to ensure that their responsibilities are effectively discharged.</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 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>GIA's principal responsibility is to provide an independent, risk-based and objective assurance to add value and improve the efficiency and effectiveness of the Group's operations. It helps the Group accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance process. GIA reports directly to the AC.</p> <p>During FY2018, GIA, led by its CIA, Mok Kha Wai, who is a Chartered Accountant of the Malaysian Institute of Accountants is responsible for the internal audit department. The CIA oversees all the fifteen (15) internal audit personnel in the department, all of which are free from any relationship or conflicts of interest, which could impair their objectivity and independence.</p> <p>GIA is a corporate member of the Institute of Internal Auditors Malaysia and adopts the International Professional Practices Framework which sets out the purpose, function, scope and responsibilities of the internal audit function and how to maintain its independence. Activities are carried out based on a risk-based annual audit plan approved by the AC. The AC annually reviews the performance of CIA, the adequacy of the scope of work, function, ability to access information, budget and sufficiency of resources of the department to ensure that the responsibilities are fully discharged.</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><b>Corporate Disclosure Policy</b></p> <p>The Company is committed to ensuring that all information such as corporate announcements, circulars to shareholders and financial results are disseminated to the general public in a timely and accurate manner.</p> <p>The Company's quarterly interim and full year audited financial results are released within two (2) months from the end of each quarter/financial year and the Annual Report, which remains a key channel of communication, is published within four (4) months after the financial year-end. The Annual Report is not merely a factual statement of financial information and performance of the Group; it provides an insightful interpretation of the Group's performance, operations, and other matters affecting shareholders' interest. It is hoped that such insights will allow shareholders and investors to make more informed investment decisions based not only on past performance but also the future direction of the Group.</p> <p><b>Leverage on Information Technology for Effective Dissemination of Information</b></p> <p>The Group maintains a website which serves as a forum for the general public to access information on the latest developments. Corporate presentations, annual reports, corporate announcements and financial information utilised during analyst and fund manager briefings are also available on the Group's website.</p> <p><b>Strategies that Promote Sustainability</b></p> <p>S P Setia is committed to incorporating corporate responsibility practices into our business activities. Sustainability is embedded in the organisation's mission, vision and values and is manifested in our products.</p> <p>The Sustainability Statement is set out on pages 76 to 101 of the Integrated Report 2018 and explains the Group's practices and activities carried out during FY2018.</p>

### Effective communication and proactive engagement

The Company values the importance of having effective communication with its shareholders and investors.

Information disseminated is clear, relevant and comprehensive, and is timely and readily accessible by all stakeholders. Effective communication channels with the Company's shareholders, stakeholders and the public are maintained through the dissemination of press releases, press conferences, timely announcements and disclosures made to Bursa Securities.

The Company's Investor Relations Department plays an important role in providing ongoing updates on the Group's development activities and conducting regular dialogues and discussions with fund managers, financial analysts, shareholders and media. These meetings provide a vital avenue and direct channel of communication where financial analysts and institutional fund managers can gain a better understanding of the businesses and direction of the Group; enter into constructive dialogues and discussions based on the mutual understanding of objectives; and where relevant feedback is factored into the Company's business decisions. Media are also invited to attend the Company's major events and property launches where briefings are given on the relevant projects. Currently, the Company is covered by 18 local and foreign research houses and brokerages. The Company will continue to participate in investor conferences/roadshows locally and abroad.

A press conference is held after each AGM. In 2018, a press conference was held after the conclusion of the 43<sup>rd</sup> AGM of the Company where the Chairman, President and CEO, Deputy President and COO and CFO advised the media on the resolutions approved by the shareholders and briefed the media on the operations, performance and financial results of the Group for the year under review, clarified issues and answered questions posed by the media. As such, the press conferences are intended not only to promote the dissemination of the financial results of the Group to as wide an audience as possible, but also to keep the investing public and shareholders updated on the progress and development of the business of the Group. The press conference was also attended by the Senior Management of the Group.

There were two (2) other engagement sessions held with the media and fund managers and analysts in 2018 in conjunction with the announcements of the Group's results for FY2017 and half year results for the period ended 30 June 2018 on 27 February 2018 and 23 August 2018, respectively.

These were the few initiatives carried by the Management as part of the continuous engagement program to keep the relevant stakeholders apprised on the business development and financial performance of the Group.

<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>	:	The Company has adopted integrated reporting based on a globally recognised framework for FY2018.
<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>	:	Shareholders were given notice of 28 days in respect of the 43 <sup>rd</sup> AGM 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**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors, including Chair of the Board Committees, the attended the 43rd AGM held on 17 May 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

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>	:	<p><b>Encourage shareholder participation at general meetings</b></p> <p>The Company's AGM and EGM remain the principal forum for dialogue and communication with shareholders, in particular private investors. Shareholders are encouraged to attend each AGM and EGM and given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns. Presentations will also be given by the President and CEO to brief shareholders on project updates or proposals for which the approval of shareholders is being sought. All Board members, Senior Management and the Group's external auditors as well as the Company's adviser are available to respond to shareholders' questions during the AGM/EGM as the case may be.</p> <p>The Annual Report 2017 together with the Notice of the 43rd AGM dated 18 April 2018 were dispatch to all the shareholders in accordance with the Company's Constitution and Listing Requirements. Where necessary, explanatory notes were provided in the notice with the objective of providing shareholders with the relevant background information pertaining to the resolutions tabled for approval.</p> <p>The Company held its 43rd AGM at the time and venue which is convenient and easily accessible to shareholders. General Meetings of the Company remain important avenues for the Board and Management to have a better and more intimate engagement with the shareholders present.</p> <p>Only shareholders whose names appear in the Record of Depositors as at the date determined by the Company in accordance with the Company's Constitution are entitled to attend and vote at the General Meetings. Shareholders who are unable to attend are entitled to appoint proxy(ies) to attend and vote at the General Meetings.</p> <p>The shareholders' participation, either personally or by proxy, at the 43rd AGM were well represented by the fact that the shareholders' turnout made up of a significant percentage of the Company's total and issued share capital as follows:</p>

		<b>General Meetings</b>	<b>Percentage of Ordinary Share Capital represented by Shareholders</b>
		43rd AGM held on 17 May 2018	79.71%
		<p>The Chairman, President and CEO, all Directors, Senior Management and External Auditors of the Company attended the 43rd AGM. At the commencement of the 43rd AGM, the Chairman briefed the members, corporate representatives and proxies who were present of their rights to speak and vote at the meeting. Shareholders were encouraged to raise any queries they had to the Board.</p> <p>During the 43rd AGM, the President and CEO presented the overall financial performance of the Group for FY2017, prospects and also strategies of the Group for the FY2018. The external auditors also attended the 43rd AGM. Questions raised by the shareholders at the meeting were duly responded to.</p> <p>For the 43rd AGM, the questions raised by Minority Shareholder Watchdog Group received prior to the meeting and the Company's responses were presented to all the shareholders during the proceeding of the meeting.</p> <p><b>Poll Voting</b></p> <p>In compliance Paragraph 8.29A of the Listing Requirements, the resolutions set out in the Notice of the 43rd AGM dated 18 April 2018 were voted on a poll via electronic voting for greater efficiency and ensure accuracy of the results. Prior to the voting process, Tricor Investor &amp; Issuing House Services Sdn Bhd, being the poll administrator briefed the shareholders and proxies present on the electronic voting process.</p> <p>Upon completion of the electronic voting process, the votes were validated by an independent scrutineer prior to the announcement of the poll results by the Chairman of the meeting.</p> <p><b>Minutes of AGM</b></p> <p>A list of key matters discussed at the 43rd AGM was published on the Company's website for the benefit of the shareholders who did not attend the meeting, in accordance with Paragraph 9.21(2)(b) of the Listing Requirements.</p>	
<b>Explanation for departure</b>	:	For the 43rd AGM, the Company did not allow voting in absentia and remote shareholders' participation at the said meeting.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Company will ensure that the venue and time for General Meetings of the Company remain convenient to shareholders.	
<b>Timeframe</b>	:	Others	

## **COMPLIANCE STATEMENT**

This CG Report is made in accordance with a resolution of the Board of Directors dated 28 February 2019.