

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 4197  
**COMPANY NAME** : Sime Darby Berhad  
**FINANCIAL YEAR** : June 30, 2020

## 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.

<p><b>Application</b></p>	<p>: Applied</p>
<p><b>Explanation on application of the practice</b></p>	<p>: The Board of Directors' ("Board") primary role is to protect and enhance the interest of the shareholders and stakeholders whilst enabling the Sime Darby Group to achieve long term profitability and sustainability. The Board strives to ensure that the highest standards of corporate governance is practiced throughout the Group by enforcing good standards of accountability, all with a view to enable Management to execute its duties effectively.</p> <p>The Board in discharging its fiduciary responsibilities to oversee the overall management has undertaken the following:</p> <p><b>Reviewing and adopting a strategic plan for the Group;</b> The Board plays a key and active role in the formulation and development of the strategic planning process by bringing objectivity, experience and breadth of judgment to ensure that the strategic plan for the Group supports long-term value creation. The plan also considers economic, environmental, safety &amp; health, social, political and governance initiatives underpinning sustainability.</p> <p>The Board reviews, adopts, provides input and monitors the Group's strategic plan which includes addressing the Group's business strategies on growth, operations, cost management, sustainability and setting of financial goals. The Group's sustainability efforts encompass human rights, safety and health, energy and climate and community.</p> <p>The active role and commitment undertaken by the Board in the development of Company's strategies and execution of the business plan is detailed as follows:</p> <p>(a) Before the start of the new financial year, a strategy retreat with Senior Management and Board members is scheduled to deliberate on the Group's 5-Year Strategy Blueprint and Budget for implementation in the forthcoming year.</p>

This year, in view of the unique circumstances, the Strategy Retreat was conducted virtually and online via collaborative tools.

(b) The retreat is a challenge session attended by management and the Board to:-

- Provide input and guidance on the strategies to be developed, bearing in mind the current and future operating landscape;
- test management's assumptions of their respective forecasts;
- advise on challenges that they may encounter next year as well as develop strategies to overcome such challenges;
- consider the economic and market forecasts for the coming years along with the proposed risk appetite to ensure that the strategies are robust and within acceptable boundaries;
- evaluate the proposed capital and operational expenditures, and human resource requirements of each division and ensure that management would have sufficient resources to execute their respective strategies.

(c) Key subject matter experts (management consultants, investment bankers, research analysts, venture capitalists) are invited to provide their views on key trends and future disruptions that will impact our core businesses.

(d) Management will take in the comments, suggestions and advice from the Board and incorporate them into the final Strategy Blueprint and Budget.

(e) Thereafter, in the beginning of the new financial year, the Board will review and approve the Group's 5 Year Strategy Blueprint and Budget for annual implementation.

(f) Once the Group Business Plan and Strategy has been approved for execution by the management, the financial performance and progress of strategies employed by each sector are then monitored and supervised by the Board.

**Overseeing the conduct and managing performance of the Group's businesses;**

The Board oversees the conduct of the Group's businesses, including the execution of strategic plans, achievement of performance objectives, governance framework, risk management practices and human capital management.

The Board also supervises and assesses the performance of management to determine whether the businesses are being properly managed and ensures that appropriate measures are in place against which management's performance can be assessed. It also evaluates and ensures that its businesses are being managed according to "best-in-class" practices as benchmarked against world class multinational companies. Compliance is monitored with established policies and procedures.

The Board's responsibilities also include reviewing, assessing and approving investment and capital expenditure proposals by the management and monitoring the implementation of the strategic plan by the management. The Board will deliberate on all proposals presented and recommended by management, including those proposed by its Board Committees to ensure they are viable and meet the requisite target returns.

The Board has also approved a Capital Allocation Plan that guides investment decision in terms of business areas, geographical and returns.

**Promoting corporate governance culture within the Group;**

The Board continues to promote good corporate governance culture, whereby the Group has put in place measures to guide its employees and partners in adhering to all applicable policies, procedures, laws, and regulations of the countries in which the Group operates in, including but not limited to: the Anti-Trust/Competition Laws, Environmental Laws and Regulations, Employment/Labour Laws and Policies, Compliance with Securities Laws and Anti-Bribery and Corruption Policies, Anti-Money Laundering and Anti-Terrorism Financing Policy.

Further, the Sime Darby Code of Business Conduct ("COBC") provides guidance on the standards of behavior expected of all directors and employees of the Group, and where applicable, counterparts and business partners.

**Identifying principal risks that applies to the Group and ensuring adequate process to address the risk;**

The Board and the management are responsible and accountable for the establishment of the Group's system of risk management and internal control. The Risk Management Committee ("RMC") is established as a committee of the Board and is primarily responsible for assisting the Board in assessing and anticipating the potential risks to the business, developing and overseeing the risks management framework and policies within the Group and review the efficacy of internal controls within the Group. The RMC is also responsible to review the risk associated with capital expenditure and investment proposals.

The RMC's objectives are as follows:

- (a) To review and recommend the Group's risk management policies and strategies for the Board's approval. This includes reviewing major investment business cases and management's assessment of the key associated risks, including funding options and costs, and investment returns prior to the Board's approval.
- (b) To monitor the implementation of post-spend transactions in accordance with established thresholds in the approved Group Limits of Authority, which includes capital expenditure, acquisitions and project-based operational costs.

The Chairman of the respective Committees shall report and update the Board on significant issues and concerns discussed and where appropriate, make the necessary recommendations to the Board.

**Ensure effective, transparent and regular communication with its stakeholders to facilitate mutual understanding of each other's objectives and expectations;**

The Company has a sound Investor Relations programme which reaches out to the investing community and other stakeholders through continuous engagement via one-on-one meetings, quarterly analyst briefings and regional investor roadshows. During the COVID-19 outbreak, the Investor Relations team continued to engage Investors virtually to explain our strategies and plans. We also have a comprehensive, informative website for our shareholders with regularly updated information.

**Ensure that Senior Management has the necessary skills and experience and there are measures in place to provide the orderly succession of board and Senior Management; and**

The Nomination & Remuneration Committee ("NRC") is established as a committee of the Board. The NRC oversees matters related to the nomination of new Directors and Senior management, annually reviews the required mix of skills, experience and other requisite qualities of Directors and Senior management, as well as undertakes the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.

The NRC is also primarily responsible for recommending to the Board the remuneration framework for Directors, reviewing the remuneration package for Executive Directors and Senior Management as well as the remuneration framework of employees based on the competitive industry practices and the Group's succession plan.

**Reviewing the adequacy and the integrity of the management information and internal control systems of the Group**

The Governance & Audit Committee ("GAC") is established as a committee of the Board. The GAC assists and supports the Board's responsibility of overseeing the Group's operations by providing a means for reviewing the Group's processes for producing financial data, its internal controls, and policies and procedures to assess the suitability, objectivity and independence of the Group's external auditor and internal audit function.

The GAC reviews the quarterly financial reports which are presented by the Group Chief Financial Officer ("GCFO") in the presence of the external auditors (if required) prior to recommending them for approval by the Board and the release to Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board has also provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.

<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 Chairman of the Board is responsible for instilling good corporate governance ("CG") practices, leadership and the effectiveness of the Board. The duties of the Board Chairman include the following:</p> <ul style="list-style-type: none"><li>(a) Managing Board meetings to ensure robust decision-making by:<ul style="list-style-type: none"><li>(i) Setting the agenda for each Board meeting together with the Group Secretary and the Group Chief Executive Officer ("GCEO"). Other Directors and key members of Management (e.g. Group Head of Group Corporate Assurance ("GCA") and Head of Group Compliance &amp; Integrity ("GCI") and the GCFO) 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></ul></li><li>(b) Building a high performance Board by:<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 CG system and practices, including the Board Charter and the Terms of Reference ("TOR") of Board Committees 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 behavioural 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></li></ul>

	<p>(c) 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 GCEO, acting as a confidant and advisor; and</li> <li>(iii) Facilitating the selection and appointment of a successor to the current GCEO.</li> </ul> <p>(d) 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 at shareholders' meetings and on other occasions when actions are taken or statements are made in the name of the Group, both domestically and/or abroad.</li> </ul> <p>(e) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.</p> <p>The roles and responsibilities of the Chairman of the Board are clearly specified in Paragraph 5.2 of the Board Charter, which is available on Sime Darby Berhad's ("Sime Darby") website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</a>.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of a clear division of responsibilities between the Chairman and the GCEO. The roles of Chairman and GCEO are therefore exercised by separate individuals to ensure an optimal balance, resulting in increased accountability and enhanced decision making.</p> <p>Tan Sri Samsudin Osman was appointed as the Acting Chairman of Sime Darby on 10 June 2020 and then re-designated as Chairman of Sime Darby on 16 July 2020. He leads the Board in setting the Company's key policies and direction, ensures effective operation of the Board and is the spokesperson for the Board.</p> <p>Dato' Jeffri Salim Davidson was appointed the GCEO of Sime Darby on 21 November 2017 and is the only Executive Director ("ED") on the Board. The GCEO is primarily responsible for the execution of the Group's strategies in line with the Board's direction, oversees the operations of the divisions and drives the Group's businesses and performance towards achieving the Group's vision and goals.</p> <p>The key roles of the GCEO include:</p> <ul style="list-style-type: none"><li>(a) Displaying ethical behaviour while overseeing the day-to-day business operations, implementing Board policies and strategies, and making operational decisions;</li><li>(b) Serving as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions;</li><li>(c) Ensuring that all Board decisions reflect its environment, safety and health intentions as articulated in the environment, safety and health policy statement;</li><li>(d) Ensuring effective relationships and communication with Management, and between the Board, shareholders and relevant stakeholders;</li><li>(e) Providing strong leadership by effectively communicating the vision, management philosophy, business strategy and environment, safety and health policy to employees; and</li><li>(f) Keeping the Board informed of salient aspects and issues concerning the Group's operations, including those related to environment, safety and health.</li></ul>

	The roles of Chairman and the GCEO are separated and clearly defined in the Board Charter, which is available on Sime Darby's website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</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

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

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is assisted by qualified and experienced Group Secretary with more than 20 years of corporate experience attending to company secretarial, compliance matters and advocacy of good CG best practices.</p> <p>Noor Zita Hassan was appointed as the Group Secretary of Sime Darby on 21 November 2017. She holds a Bachelor's Degree in Economics with Accountancy from the Loughborough University of Technology in the United Kingdom and a Master's Degree in Accountancy from the Charles-Sturt University in Australia. She is a member of CPA Australia and the Malaysian Institute of Accountants and is qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. Noor Zita was previously the Company Secretary of Hyundai-Sime Darby Berhad, a listed subsidiary of Kumpulan Sime Darby Berhad on the Main Board of Bursa Securities from December 2004 until its delisting from the Official List of Bursa Securities in July 2006.</p> <p>(a) The Group Secretary manages the logistics of all Board and Board Committee meetings. Attendance and minutes of all Board and Board Committee meetings are properly recorded and kept by the Group Secretary. The Group Secretary ensures that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management personnel for appropriate actions. The Group Secretary further ensures that outstanding action items are properly tracked and monitored until such items are finally addressed by the Senior Management and reported to the Board accordingly.</p> <p>(b) The Group Secretary serves as a focal point for stakeholders' communication and engagement on CG issues as well as communications between regulators and the Board and Senior Management. She plays an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, CG best practices and its compliance with regulatory requirements, codes, guidance and legislations.</p> <p>(c) The Group Secretary facilitated the induction programmes for the new Directors of Sime Darby. The Group Secretary and the relevant management team members gave briefings, to familiarise the new</p>

	<p>Directors with the business and operations of Sime Darby and its subsidiaries.</p> <p>(d) The Group Secretary continuously keeps herself properly updated of the evolving market environment, regulatory changes and developments in CG through attendance at relevant conferences and training programmes.</p> <p>(e) The Group Secretary plays an important role for the Annual General Meeting (“AGM”) in ensuring that the due processes and proceedings are in place and properly managed. During the AGM, the Group Secretary assists the Chairman and the Board on the conduct of the AGM and ensure the minutes are properly recorded, particularly the questions raised by the shareholders.</p> <p>The roles and responsibilities of the Group Secretary are specified in Paragraph 13 of the Board Charter, which is available on Sime Darby’s website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</a>.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

## Intended Outcome

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>To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board and Board committees, the AGM as well as the closed periods for dealings in securities by Directors and Senior Management based on the targeted dates of announcements of the Group's quarterly results.</p> <p>The Board paper guidelines and format were finalised and introduced Group wide. Management Committees and subsidiaries also follow the same guidelines and format in Board paper preparation for consistency throughout the Group.</p> <p>Sime Darby distributes the meeting materials and disseminates relevant information to Directors through the Diligent Boards, an electronic meeting management system. Directors are supplied with iPad so that all notices and proposal papers are uploaded and distributed to Directors electronically and instantly, enabling Directors to access the Board papers anytime and anywhere, and on a timely basis. The Directors may also retrieve any past information via its archival system.</p> <p>Notice of Board and Board Committee meetings and agenda are sent to Directors via email at least seven (7) working days prior to a meeting. The Notice is also sent to Management, which includes the deadlines for submission of meeting materials for Management's easy reference. Upon receipt from Management, the Group Secretary ensures that the meeting materials are uploaded as soon as practicable.</p> <p>The deliberations and decisions at Board and Board Committee meetings are minuted in a clear, accurate and timely manner. The minutes record the decisions of the Board and Board Committee including deliberations, comments, concerns or dissenting views. The minutes indicate whether any Director or Committee member has abstained from voting or recused himself from deliberating on a particular matter concerning them.</p> <p>The Group Secretary will communicate to the relevant Management, the Board's and Board Committees' decision or recommendations via circulation of draft minutes of meetings for appropriate actions to be taken. The Group Secretary will follow up with Management on status of actions taken with reference to the previous minutes of meeting and</p>

	recorded the updates in the matters arising paper tabled at the subsequent Board and Board Committee meetings.	
<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 sets out the Board's strategic intent, authority and outlines the roles and responsibilities of the Board, Board Committee and individual Director.</p> <p>The Board shall periodically review and update the Board Charter in accordance with the needs of the Company and the Group and any new regulations that may have an impact on the discharge of the Board's responsibility.</p> <p>The Board Charter provides, among others, the following:</p> <p>(a) The respective roles, responsibilities and authorities of the Board (both individual and collectively) such as:</p> <ul style="list-style-type: none"><li>(i) Reviewing and approving the overall strategies, business, organisation and significant policies of the Group; and</li><li>(ii) Determining the direction of the Group, thereby ensuring the long term success of the Group and the delivery of sustainable value to its stakeholders.</li></ul> <p>(b) Issues and matters reserved for the Board's decisions include the following:</p> <ul style="list-style-type: none"><li>(i) Strategies, business plans and annual budget for the Group;</li><li>(ii) Conduct and performance of the Group's businesses;</li><li>(iii) Principal risks affecting the Group's business;</li><li>(iv) Group's internal control systems; and</li><li>(v) Succession planning and talent management plans for the Group.</li></ul> <p>The Board Charter is available on Sime Darby's corporate website at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</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 3.1

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>Sime Darby has launched its COBC in June 2011. The COBC was recently reviewed and approved by the Board in February 2018. The COBC provides guidance on the standards of behaviour expected of all Directors and employees of the Group, and where applicable, counterparties and business partners. A copy of the COBC is available on the Group's corporate website at <a href="http://www.simedarby.com/operating-responsibly/ethical-business-practices">www.simedarby.com/operating-responsibly/ethical-business-practices</a>.</p> <p>The key chapters of COBC include:</p> <ul style="list-style-type: none"><li>(a) Responsibility and Compliance with the COBC;</li><li>(b) Working with One Another;</li><li>(c) Conflicts of Interest;</li><li>(d) Gifts, Entertainment &amp; Travel;</li><li>(e) Bribery and Corruption;</li><li>(f) Donation and Sponsorship;</li><li>(g) Protecting the Group and Shareholders;</li><li>(h) Dealing with Counterparties and Business Partners;</li><li>(i) Dealing with Government Authorities and Political Parties; and</li><li>(j) Raising a Concern or Reporting a Violation.</li></ul> <p>In addition to the COBC, Sime Darby has also established the Vendor COBC in February 2018; the Anti-Bribery and Corruption Policy ("ABC") and Anti-Money Laundering and Anti-Terrorism Financing Policy ("AML") in May 2018.</p> <p>The ABC Policy sets out Sime Darby's position on bribery in all its forms and matters of corruption that might confront Sime Darby in its day-to-day operations while the AML Policy sets out Sime Darby's position on money laundering and terrorism financing.</p> <p>The Vendor COBC describes the vendor's expected standards of behaviour when conducting work for the Sime Darby Group.</p>

	<p>The Vendor COBC outlines the following key areas:</p> <ul style="list-style-type: none"> <li>(a) Labour &amp; Human Rights;</li> <li>(b) Environment, Safety &amp; Health; and</li> <li>(c) Ethics &amp; Management Practice</li> </ul> <p>Vendors are required to sign a Vendor Letter of Declaration to declare their compliance to the Vendor COBC and the relevant laws and regulations relating to bribery and corruption.</p> <p>In terms of governance structure and support, Group Compliance was established in 2011 as an independent function to assist the Board and GAC to develop and implement the COBC, its supporting policies and ethics programme across the Group. In February 2019, GC had been renamed Group Compliance and Integrity (“GCI”) pursuant to the directive by Prime Minister for all Government-Linked Companies (“GLC”) to set-up Integrity and Governance Unit.</p> <p>Since the launching of COBC, various awareness programmes have been conducted by GCI in collaboration with Group Human Resources (“GHR”) to educate the employees on the compliance requirements, the impact of non-compliance and the obligations to adhere to these requirements. The awareness program which is conducted through e-learning, face to face training, roadshows, email communications and banner, as well as integrity day event will continue to be regularly conducted to refresh and update the employees on the new or revision to the compliance related policies.</p> <p>Feedback is sought from various stakeholders, including Senior Management and the Board to evaluate the effectiveness of the compliance programme and initiative.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Sime Darby expects the highest standards of integrity from all our Directors, employees, counterparties and business partners (collectively, “the Parties”). Sime Darby takes a serious view of any wrongdoings by any of the Parties, in particular with respect to their obligations to the Company’s interests.</p> <p>The Group’s Whistleblowing (“WB”) Policy and channels were established in 2010 to enable the Parties, including the public, to report, without fear of retaliation, any wrongdoings that they may observe or experience.</p> <p>The Parties can report a complaint via WB channels if they are aware of any wrongdoings, including, but not limited to the following:</p> <ul style="list-style-type: none"><li>• Fraud;</li><li>• Misappropriation of assets;</li><li>• Sexual harassment;</li><li>• Criminal breach of trust;</li><li>• Illicit and corrupt practices;</li><li>• Questionable or improper accounting;</li><li>• Misuse of confidential information;</li><li>• Acts or omissions which are deemed to be against the interest of the Company, laws, regulations, or public policies;</li><li>• Giving false or misleading information (including suppression of any material facts or information);</li><li>• Breaches of Group Policies and COBC; or</li><li>• The deliberate concealment of any of the above matter or other acts of wrongdoings.</li></ul> <p>Sime Darby expects all Parties to act in good faith and have reasonable grounds when reporting a WB complaint.</p> <p>Any party that retaliates against someone who has reported a wrongdoings in good faith may be subject to appropriate action, up to and including legal action, where applicable.</p>

	<p>Below are Sime Darby WB channels:</p> <ul style="list-style-type: none"> <li>• Email : <a href="mailto:whistleblowing@simedarby.com">whistleblowing@simedarby.com</a></li> <li>• Email to the Senior Independent Director : senior.director@simedarby.com</li> <li>• Whistleblowing e-Form which is available on the Sime Darby website (<a href="http://www.simedarby.com">www.simedarby.com</a>) ;</li> <li>• Write to Whistleblowing Unit : Sime Darby Berhad P.O. Box 03187 47500 Subang Jaya Malaysia.</li> <li>• Contact Whistleblowing Unit: <ul style="list-style-type: none"> <li>○ Malaysia : 1 800 18 5008</li> <li>○ Other Countries : (6019) 2688 295</li> </ul> </li> </ul> <p>GCI is entrusted by the Board to administer end-to-end process of a WB complain in collaboration with GHR and GCA, where applicable. All complaints, including the identity of the whistleblowers are being dealt with highest level of confidentiality at all times. Regular update on WB cases is provided to the Senior Independent Director and the Board.</p> <p>As required under the directive issued by the Prime Minister, the information on WB cases was also reported to the Agency Integrity Management of Malaysian Anti-Corruption Commission (“MACC”) on a half yearly basis.</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 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of Independent Directors, in particular those who are subject matter experts in the fields of business that the Group is involved in, in order to support objective and independent deliberation, review and decision making.</p> <p>For the financial year ended (“FYE”) 30 June 2020, the Board consists of 10 Directors, comprising a majority of Independent Directors as follows:</p> <ul style="list-style-type: none"><li>(a) Six (6) Independent Non-Executive Directors (“INED”)</li><li>(b) Three (3) Non-Independent Non-Executive Directors (“NINED”)</li><li>(c) One (1) Executive Director (“ED”).</li></ul> <p>Tan Sri Ahmad Badri Mohd Zahir has been appointed as NINED of the Company on 1 September 2020.</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 - Step Up 4.3 adopted	
<b>Explanation on application of the practice</b>	:	Please provide an explanation on how the practice is being applied.	
<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>	:	Adopted								
<b>Explanation on adoption of the practice</b>	:	<p>The Board had, at its meeting held on 25 September 2019, adopted a 9-year policy for INED.</p> <p>All INEDs have served the Board for less than nine (9) years. The tenure of INEDs are as follows:</p> <table border="1"><thead><tr><th>Years of Service</th><th>Number of INEDs</th></tr></thead><tbody><tr><td>Less than 3 years</td><td>5</td></tr><tr><td>3 years to 6 years</td><td>1</td></tr><tr><td>6 years to 9 years</td><td>0</td></tr></tbody></table> <p>As at 30 June 2020, none of the INEDs had exceeded the nine (9) years tenure.</p>	Years of Service	Number of INEDs	Less than 3 years	5	3 years to 6 years	1	6 years to 9 years	0
Years of Service	Number of INEDs									
Less than 3 years	5									
3 years to 6 years	1									
6 years to 9 years	0									

## 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>The Board and NRC take into account the current diversity in the skills, experience, age, cultural background and gender of the existing Board in seeking potential candidate(s). This helps to ensure an appropriate balance between the experience perspectives of the long term Directors and new perspectives that bring fresh insights to the Board.</p> <p>While the Board is responsible for the appointment of new Directors, the NRC is delegated with the role of screening and conducting an initial selection, which includes an external and independent search, before making a recommendation to the Board. The NRC evaluates the nominees' abilities in discharging their duties and responsibilities before recommending their appointments for approval by the Board.</p> <p>The diversity in the race/ethnicity (cultural background), nationality, age and gender of the Board as at 30 June 2020 is as follows:</p> <table border="1"><thead><tr><th rowspan="2"></th><th colspan="4">Race/Ethnicity</th><th colspan="2">Nationality</th></tr><tr><th>Malay</th><th>Chinese</th><th>Indian</th><th>Others</th><th>Malaysian</th><th>Foreigner</th></tr></thead><tbody><tr><td>Number of Directors</td><td>6</td><td>1</td><td>2</td><td>1</td><td>9</td><td>1</td></tr></tbody></table> <table border="1"><thead><tr><th rowspan="2"></th><th colspan="4">Age Group</th><th colspan="2">Gender</th></tr><tr><th>40-49</th><th>50-59</th><th>60-69</th><th>70-79</th><th>Male</th><th>Female</th></tr></thead><tbody><tr><td>Number of Directors</td><td>1</td><td>2</td><td>6</td><td>1</td><td>7</td><td>3</td></tr></tbody></table> <p>The NRC is also responsible to review the key management positions identified as pivotal positions and it may, if deemed fit, to review any other positions that are deemed strategic for the Company.</p> <p>The appointment of Senior Management was also made with due regards for skills, experience and age. Mr Scott Cameron, the Managing Director of Industrial Division had retired on 31 December 2019. Mr Dean Mehmet and Mr Shiu Chi Yan had been appointed as the Managing Director, Industrial Division – Australasia and Managing Director, Industrial Division – Asia on 2 January 2020 respectively. Mr Goh Hai Peow has been appointed as Group Chief Information &amp; Digital Officer on 1 November 2019 and Mr Glenn Sheahan has been appointed as Group Chief Safety &amp; Sustainability Officer on 1 October 2019.</p>		Race/Ethnicity				Nationality		Malay	Chinese	Indian	Others	Malaysian	Foreigner	Number of Directors	6	1	2	1	9	1		Age Group				Gender		40-49	50-59	60-69	70-79	Male	Female	Number of Directors	1	2	6	1	7	3
	Race/Ethnicity				Nationality																																					
	Malay	Chinese	Indian	Others	Malaysian	Foreigner																																				
Number of Directors	6	1	2	1	9	1																																				
	Age Group				Gender																																					
	40-49	50-59	60-69	70-79	Male	Female																																				
Number of Directors	1	2	6	1	7	3																																				

	The Senior Management profile s are as follows:																															
	<table border="1"> <thead> <tr> <th colspan="3">Race/Ethnicity</th> <th colspan="2">Nationality</th> <th colspan="2">Gender</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Others</th> <th>Malaysian</th> <th>Foreigner</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>3</td> <td>2</td> <td>6</td> <td>5</td> <td>6</td> <td>9</td> <td>2</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3">Age Group</th> </tr> <tr> <th>40-49</th> <th>50-59</th> <th>Above 60</th> </tr> </thead> <tbody> <tr> <td>3</td> <td>7</td> <td>1</td> </tr> </tbody> </table>		Race/Ethnicity			Nationality		Gender		Malay	Chinese	Others	Malaysian	Foreigner	Male	Female	3	2	6	5	6	9	2	Age Group			40-49	50-59	Above 60	3	7	1
Race/Ethnicity			Nationality		Gender																											
Malay	Chinese	Others	Malaysian	Foreigner	Male	Female																										
3	2	6	5	6	9	2																										
Age Group																																
40-49	50-59	Above 60																														
3	7	1																														
<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 has embraced the recommendations of the Code of having at least 30% women representation on the Board. As at 30 June 2020, the Board consisted of 30% women Directors.  Notwithstanding the above, the Board maintains its belief that appointment on the Board must always be based on diversity in the skills, experience, age, cultural background and whether such appointment would further enhance the existing mix of skill and experience of the Board.	
<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 Board delegates to the NRC the responsibility to establish a formal and transparent procedure for the nomination and appointment of new Directors to the Board. Such responsibilities include screening, conducting initial selection of internal and external candidates, performing requisite evaluation and assessment on the candidate's ability to discharge their duties effectively and efficiently, prior to making recommendations to the Board for its approval.</p> <p>The NRC also ensures candidates possess the appropriate skills, core competencies, experience and integrity to effectively discharge his or her role as a Director.</p> <p>The NRC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary.</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>The NRC is chaired by Dato' Sri Abdul Hamidy Abdul Hafiz who is the INED of the Company.</p> <p>The list of NRC members for the FYE 30 June 2020 is shown below:</p> <table border="1"><thead><tr><th>No.</th><th>Member</th><th>Directorship</th><th>Designation</th></tr></thead><tbody><tr><td>1.</td><td>Dato' Sri Abdul Hamidy Abdul Hafiz</td><td>Independent Non-Executive Director</td><td>Chairman</td></tr><tr><td>2.</td><td>Mohamad Idros Mosin</td><td>Non-Independent Non-Executive Director</td><td>Member</td></tr><tr><td>3.</td><td>Dato Ahmad Pardas Senin</td><td>Senior Independent Non-Executive Director</td><td>Member</td></tr><tr><td>4.</td><td>Datuk Wan Selamah Wan Sulaiman</td><td>Independent Non-Executive Director</td><td>Member</td></tr></tbody></table>	No.	Member	Directorship	Designation	1.	Dato' Sri Abdul Hamidy Abdul Hafiz	Independent Non-Executive Director	Chairman	2.	Mohamad Idros Mosin	Non-Independent Non-Executive Director	Member	3.	Dato Ahmad Pardas Senin	Senior Independent Non-Executive Director	Member	4.	Datuk Wan Selamah Wan Sulaiman	Independent Non-Executive Director	Member
No.	Member	Directorship	Designation																			
1.	Dato' Sri Abdul Hamidy Abdul Hafiz	Independent Non-Executive Director	Chairman																			
2.	Mohamad Idros Mosin	Non-Independent Non-Executive Director	Member																			
3.	Dato Ahmad Pardas Senin	Senior Independent Non-Executive Director	Member																			
4.	Datuk Wan Selamah Wan Sulaiman	Independent Non-Executive Director	Member																			
<b>Explanation for departure</b>	:																					
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																						
<b>Measure</b>	:																					
<b>Timeframe</b>	:																					

## Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied					
<b>Explanation on application of the practice</b>	:	<p>The BEA for FY2020 (“BEA 2020”) was conducted internally through questionnaires. The questionnaires were based on the Corporate Governance Guide (3<sup>rd</sup> Edition) on the Guidance on Board Leadership and Effectiveness issued by Bursa Malaysia Berhad. The results of the BEA 2020 were presented to the Board at its meeting held on 28 September 2020 and the Board was satisfied with the results. The Board as a whole had discharged its functions, duties and responsibilities effectively in accordance with its Board Charter and there was a positive Boardroom environment and healthy Boardroom dynamic. Arising from the BEA 2020, the areas of focus for FY2021 as identified by the Board were as follows:</p> <ol style="list-style-type: none"><li>1. To review the terms of reference and the structure of Board Committees; and</li><li>2. To ensure continued focus and deliberation by the Board on strategy, succession planning, the digitalisation of the Group’s business and environmental, social and governance matters.</li></ol> <p>The Board had taken the following actions to address the areas highlighted for improvement in BEA 2019:</p> <table border="1"><thead><tr><th>Areas for improvements identified in FY2019</th><th>Actions taken to address in FY2020</th></tr></thead><tbody><tr><td>1. Improve oversight on the Group’s investment in joint ventures (JVs), particularly in Australia and China.</td><td rowspan="2">The Board discussed key highlights, material risks and issues from JVs and associate companies in the quarterly Board meetings during which, GCEO presented key information from significant JVs and associates in his report to the Board.</td></tr><tr><td>2. Ensure a proper governance structure is in place for JVs and improve the reporting of information and issues to the Board.</td></tr></tbody></table>	Areas for improvements identified in FY2019	Actions taken to address in FY2020	1. Improve oversight on the Group’s investment in joint ventures (JVs), particularly in Australia and China.	The Board discussed key highlights, material risks and issues from JVs and associate companies in the quarterly Board meetings during which, GCEO presented key information from significant JVs and associates in his report to the Board.	2. Ensure a proper governance structure is in place for JVs and improve the reporting of information and issues to the Board.
Areas for improvements identified in FY2019	Actions taken to address in FY2020						
1. Improve oversight on the Group’s investment in joint ventures (JVs), particularly in Australia and China.	The Board discussed key highlights, material risks and issues from JVs and associate companies in the quarterly Board meetings during which, GCEO presented key information from significant JVs and associates in his report to the Board.						
2. Ensure a proper governance structure is in place for JVs and improve the reporting of information and issues to the Board.							

	<b>Areas for improvements identified in FY2019</b>	<b>Actions taken to address in FY2020</b>
	3. Review the composition of the Board from time to time; enhance the diversity of the Board by appointing Directors with relevant international, digital/technology or healthcare experience.	The NRC carried out a recruitment exercise for the Board and was mindful of the need to achieve diversity in ethnicity, age and gender, when shortlisting potential candidates for internal as well as external independent sources. To that end, the Board appointed Dato' Dr Nirmala Menon to the Board on 15 November 2019. With this, the Board's gender composition is closer to its target of having 30% female Directors. Dato' Dr Nirmala holds a degree in medicine from the University of Mysore in India, which will be a valuable skillset for the Group's healthcare business.
	4. Ensure sufficient focus and deliberation by the Board on strategy, risk, digital economy and on environmental, social and governance matters.	The Board was apprised of the latest social, environmental, innovation and technology market updates by qualified speakers at the annual Board retreat. Site visits to operations were also arranged to provide Directors with an in-situ, visual perspective of the Group's operations, deepening their understanding and appreciation of the key drivers behind the Group's diverse operations. Key matters requiring the attention of the Board were brought up and deliberated at Board meetings.
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	: Applied																	
<b>Explanation on application of the practice</b>	<p>The Board, with the assistance of the NRC, reviews the overall remuneration policy of the NEDs, ED and Senior Management. The remuneration policy aims to attract, retain and motivate executives and Directors who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the NEDs, ED and the Senior Management.</p> <p>The NRC has demonstrated its commitment to set a fair and comprehensive remuneration package that is:</p> <ul style="list-style-type: none"> <li>(a) Commensurate with the expertise, skills and responsibilities associated with being a Director and/or Senior Management;</li> <li>(b) Benchmarked against the Group's peers both locally and regionally, taking into account the revenue/size of the Group against its regional peers.</li> </ul> <p>The NRC has established a remuneration framework for the NED ("the NED Remuneration Framework") which is subject to periodic review. Details of the NED Remuneration Framework for FY2020 are illustrated below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Board/Board Committee</th> <th colspan="2" style="text-align: center;">Fee (RM/Year)</th> </tr> <tr> <th style="text-align: center;">Chairman</th> <th style="text-align: center;">Member</th> </tr> </thead> <tbody> <tr> <td>Board</td> <td style="text-align: center;">560,000</td> <td style="text-align: center;">240,000<sup>1</sup> 380,000<sup>2</sup></td> </tr> <tr> <td>Governance &amp; Audit Committee</td> <td style="text-align: center;">80,000</td> <td style="text-align: center;">50,000</td> </tr> <tr> <td>Other Committees</td> <td style="text-align: center;">60,000</td> <td style="text-align: center;">35,000</td> </tr> <tr> <td>Subsidiary</td> <td style="text-align: center;">150,000</td> <td style="text-align: center;">100,000</td> </tr> </tbody> </table> <p><i>Notes:</i>  <sup>1</sup> Fee for Resident Director  <sup>2</sup> Fee for Non-Resident Director</p>	Board/Board Committee	Fee (RM/Year)		Chairman	Member	Board	560,000	240,000 <sup>1</sup> 380,000 <sup>2</sup>	Governance & Audit Committee	80,000	50,000	Other Committees	60,000	35,000	Subsidiary	150,000	100,000
Board/Board Committee	Fee (RM/Year)																	
	Chairman	Member																
Board	560,000	240,000 <sup>1</sup> 380,000 <sup>2</sup>																
Governance & Audit Committee	80,000	50,000																
Other Committees	60,000	35,000																
Subsidiary	150,000	100,000																

	<p>The remuneration package for the ED/GCEO is structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. A significant portion of the GCEO's compensation package has been made variable and is determined by performance during the year against individual Key Performance Indicators in a scorecard aligned with the corporate objectives as approved by the Board.</p> <p>The NRC reviews the performance of the GCEO annually and submits its view/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the GCEO's contributions towards the Group's achievements for the year. A summary of the GCEO's remuneration package comprises the following:</p> <ul style="list-style-type: none"> <li>(i) Basic Salary;</li> <li>(ii) Benefits-in-kind;</li> <li>(iii) Short Term Bonus; and</li> <li>(iv) Long Term Performance-Based Employees Share Scheme (PBESS)</li> </ul> <p>The ED/GCEO recuses himself from deliberation and voting on his remuneration and/or rewards at Board meetings.</p> <p>The remuneration of other Senior Management personnel is determined based on similar remuneration principles as the GCEO.</p> <p>The Directors and Senior Management remuneration policies are periodically reviewed to align with the prevalent market practices and trends.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a combined Nomination &amp; Remuneration Committee (NRC) to implement its policies and procedures on remuneration including reviewing and recommending matters relating to remuneration of board and senior management. Members of the NRC comprise only NEDs with a majority being independent.</p> <p>The TOR of NRC delineate the roles and responsibilities in relation to the nomination and remuneration matters includes Long Term Incentive Plan, as provided in the TOR of the NRC which are available at <a href="http://www.simedarby.com/operating-responsibly/governance">http://www.simedarby.com/operating-responsibly/governance</a>.</p> <p>Among the key activities of the NRC during FY2020 in relation to remuneration review, were as follows:</p> <ul style="list-style-type: none"> <li>(a) Reviewed the Directors' fees and benefits for NEDs of Sime Darby and its subsidiaries;</li> <li>(b) Reviewed and recommended the total rewards including the salary increment and bonus for the Group; and</li> <li>(c) Reviewed on the granting and vesting of the restricted and performance shares based on the PBESS for the Group.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
------------------	---	--	--

## Intended Outcome

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

## Practice 7.1

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

<b>Application</b> :	Applied																																																																																									
<b>Explanation on application of the practice</b> :	The details of the remuneration received by the Directors of Sime Darby (which includes fees, salary, benefits-in-kind and PBESS) in FY2020 are set out as follows:																																																																																									
	<table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th rowspan="2">Salary &amp; Other Remuneration (RM'000)</th> <th colspan="2">Directors' Fees</th> <th rowspan="2">Benefits-in-kind (RM'000)</th> <th rowspan="2">PBESS<sup>1</sup> (RM'000)</th> <th rowspan="2">Total (RM'000)</th> </tr> <tr> <th>Company (RM'000)</th> <th>Subsidiary (RM'000)</th> </tr> </thead> <tbody> <tr> <td colspan="7"><b>Executive Director<sup>†</sup></b></td> </tr> <tr> <td>Dato' Jeffri Salim Davidson</td> <td>4,437</td> <td>-</td> <td>-</td> <td>87</td> <td>657</td> <td>5,181</td> </tr> <tr> <td colspan="7"><b>Non-Executive Directors</b></td> </tr> <tr> <td>Tan Sri Samsudin Osman</td> <td rowspan="10">N/A<sup>3</sup></td> <td>318</td> <td>-</td> <td>6</td> <td rowspan="10">N/A<sup>3</sup></td> <td>324</td> </tr> <tr> <td>Datuk Wan Selamah Wan Sulaiman</td> <td>292</td> <td>-</td> <td>6</td> <td>298</td> </tr> <tr> <td>Dato' Sri Abdul Hamidy Abdul Hafiz</td> <td>334</td> <td>-</td> <td>11</td> <td>345</td> </tr> <tr> <td>Dato' Ahmad Pardas Senin</td> <td>325</td> <td>-</td> <td>12</td> <td>337</td> </tr> <tr> <td>Thayaparan Sangarapillai</td> <td>349</td> <td>-</td> <td>10</td> <td>359</td> </tr> <tr> <td>Dato' Lawrence Lee Cheow Hock</td> <td>415</td> <td>58</td> <td>14</td> <td>487</td> </tr> <tr> <td>Moy Pui Yee</td> <td>275</td> <td>-</td> <td>2</td> <td>277</td> </tr> <tr> <td>Mohamad Idros Mosin</td> <td>275<sup>^</sup></td> <td>-</td> <td>1</td> <td>276</td> </tr> <tr> <td>Dato' Dr Nirmala Menon<sup>2</sup></td> <td>259</td> <td>-</td> <td>-</td> <td>259</td> </tr> <tr> <td><b>Total for Non-Executive Directors</b></td> <td></td> <td>2,842</td> <td>58</td> <td>62</td> <td>-</td> <td>2,962</td> </tr> </tbody> </table>						Name	Salary & Other Remuneration (RM'000)	Directors' Fees		Benefits-in-kind (RM'000)	PBESS <sup>1</sup> (RM'000)	Total (RM'000)	Company (RM'000)	Subsidiary (RM'000)	<b>Executive Director<sup>†</sup></b>							Dato' Jeffri Salim Davidson	4,437	-	-	87	657	5,181	<b>Non-Executive Directors</b>							Tan Sri Samsudin Osman	N/A <sup>3</sup>	318	-	6	N/A <sup>3</sup>	324	Datuk Wan Selamah Wan Sulaiman	292	-	6	298	Dato' Sri Abdul Hamidy Abdul Hafiz	334	-	11	345	Dato' Ahmad Pardas Senin	325	-	12	337	Thayaparan Sangarapillai	349	-	10	359	Dato' Lawrence Lee Cheow Hock	415	58	14	487	Moy Pui Yee	275	-	2	277	Mohamad Idros Mosin	275 <sup>^</sup>	-	1	276	Dato' Dr Nirmala Menon <sup>2</sup>	259	-	-	259	<b>Total for Non-Executive Directors</b>		2,842	58	62	-	2,962
Name	Salary & Other Remuneration (RM'000)	Directors' Fees		Benefits-in-kind (RM'000)	PBESS <sup>1</sup> (RM'000)	Total (RM'000)																																																																																				
		Company (RM'000)	Subsidiary (RM'000)																																																																																							
<b>Executive Director<sup>†</sup></b>																																																																																										
Dato' Jeffri Salim Davidson	4,437	-	-	87	657	5,181																																																																																				
<b>Non-Executive Directors</b>																																																																																										
Tan Sri Samsudin Osman	N/A <sup>3</sup>	318	-	6	N/A <sup>3</sup>	324																																																																																				
Datuk Wan Selamah Wan Sulaiman		292	-	6		298																																																																																				
Dato' Sri Abdul Hamidy Abdul Hafiz		334	-	11		345																																																																																				
Dato' Ahmad Pardas Senin		325	-	12		337																																																																																				
Thayaparan Sangarapillai		349	-	10		359																																																																																				
Dato' Lawrence Lee Cheow Hock		415	58	14		487																																																																																				
Moy Pui Yee		275	-	2		277																																																																																				
Mohamad Idros Mosin		275 <sup>^</sup>	-	1		276																																																																																				
Dato' Dr Nirmala Menon <sup>2</sup>		259	-	-		259																																																																																				
<b>Total for Non-Executive Directors</b>			2,842	58		62	-	2,962																																																																																		
	<b>Notes:</b> <sup>1</sup> Long Term Performance-Based Employees Share Scheme <sup>2</sup> Appointed on 15 November 2019 <sup>3</sup> Not Applicable <sup>†</sup> Paid by the Sime Darby Group <sup>^</sup> Fees paid to PNB																																																																																									

The details of remuneration for Directors who had retired or resigned during the FYE 30 June 2020 are as follows:

Name	Salary & Other Remuneration	Directors' Fees		Benefits- in-kind	Total
		Company	Subsidiary		
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Non-Executive Directors</b>					
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah <sup>1</sup>	N/A <sup>4</sup>	187	-	30	217
Dato Sri Lim Haw Kuang <sup>2</sup>		177	56	25	258
Dato' Abdul Rahman Ahmad <sup>3</sup>		408 <sup>#</sup>	-	22	430
<b>Total for Non-Executive Director</b>		772	56	77	905

Notes:

<sup>1</sup> Retired on 31 October 2019

<sup>2</sup> Retired on 14 November 2019

<sup>3</sup> Appointed on 1 September 2019 and resigned on 10 June 2020

<sup>4</sup> Not Applicable

<sup>#</sup> Fees for the period from 1 September 2019 to 30 September 2019 were paid to PNB

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

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

**Measure :**

**Timeframe :**

**Intended Outcome**

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>	:	The top five (5) Senior Management includes the ED of the Company of which his detailed remuneration has been disclosed under Practice 7.1 of this Report.	
		The Board is of the view that the disclosure of the Senior Management's remuneration would be unfavourable to the Group as talent poaching is common in the industry and the Group would like to ensure employee retention efforts are safeguarded.	
<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 Board will monitor the market practice in respect of such disclosure.	
<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>	:	

### 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 GAC consists exclusively of INEDs.</p> <p>The GAC is chaired by Mr Thayaparan Sangarapillai. He is a Fellow of the Institute of Chartered Accountants in England &amp; Wales and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p> <p>Mr Thayaparan has over 30 years of experience in providing audit and business advisory services to clients in a wide range of industries. His portfolio of clients included major public listed companies involved in power, telecommunications, automotive, property development, plantation and manufacturing sectors. Mr Thayaparan has also led cross border assignments. Other than statutory audits, Mr Thayaparan has led assignments on financial due diligences, mergers &amp; acquisitions, initial public offerings, finance function effectiveness reviews and other advisory work.</p> <p>Mr Thayaparan is an INED and was appointed as the Chairman of GAC on 1 December 2017. He is not the Chairman of 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**

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 cooling-off period was observed by Sime Darby and this Practice has been incorporated under Clause 2.5 of the TOR of the GAC.</p> <p>Mr Thayaparan Sangarapillai, an INED of Sime Darby and the Chairman of GAC, is a former Partner of PricewaterhouseCoopers, had observed the cooling-off period of two (2) years before he was appointed as a member of the GAC of Sime Darby.</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>As part of its main functions and duties, the GAC is also responsible for assessing the suitability, objectivity and independence of the external auditor. This is stated in the GAC's TOR under item 4.4 - Dealing with External Auditor, sub-item 4.4.2 which states:</p> <p>Assess and monitor the performance, suitability, objectivity and independence of the external auditor annually. The assessment is to be based on established policies and procedures that consider among others:</p> <ul style="list-style-type: none"><li>• the competence, audit quality and resource capacity of the external auditor in relation to the audit;</li><li>• the nature and extent of the non-audit services rendered and appropriateness of the level of fees; and</li><li>• obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</li></ul> <p>Apart from the above, item 4.4 also deals with:</p> <p>4.4.1 Appointment of the external auditor and the audit fee, and any resignation or dismissal of the external auditor; and</p> <p>4.4.3 The scope of external audit and the audit plan covering both local and overseas operations.</p> <p>Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities also required that GAC to consider the following for the appointment of external auditor.</p> <ul style="list-style-type: none"><li>(a) the adequacy of the experience and resources of the accounting firm;</li><li>(b) the persons assigned to the audit;</li><li>(c) the accounting firm's audit engagements;</li><li>(d) the size and complexity of the listed issuer's group being audited; and</li><li>(e) the number and experience of supervisory and professional staff assigned to the particular audit.</li></ul>

	<p>The assessment takes into account:</p> <ul style="list-style-type: none"> <li>• The GAC’s own assessment; and</li> <li>• The feedback from Divisional Chief Financial Officers, the GCEO, GCFO and the Head – Group Finance focusing on a range of factors the GAC considered relevant to audit quality.</li> </ul> <p>Based on the assessment, the GAC concluded that there has been appropriate focus and challenge on the primary areas of audit and the external auditor has applied robust challenge and scepticism through the audit conducted by them.</p> <p>The GAC also obtained confirmation from the external auditor that they are and have been, independent throughout the conduct of the audit engagement in accordance with the terms and of the relevant professional and regulatory requirements.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

### Intended Outcome

There is 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>The GAC consists exclusively of INEDs. The composition of the GAC is as follows:</p> <table border="1"><thead><tr><th>No.</th><th>Member</th><th>Designation</th></tr></thead><tbody><tr><td>(i)</td><td>Thayaparan Sangarapillai (Chairman)</td><td>Independent Non-Executive Director</td></tr><tr><td>(ii)</td><td>Datuk Wan Selamah Wan Sulaiman</td><td>Independent Non-Executive Director</td></tr><tr><td>(iii)</td><td>Dato' Ahmad Pardas Senin</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>(iv)</td><td>Dato' Sri Abdul Hamidy Abdul Hafiz</td><td>Independent Non-Executive Director</td></tr></tbody></table>	No.	Member	Designation	(i)	Thayaparan Sangarapillai (Chairman)	Independent Non-Executive Director	(ii)	Datuk Wan Selamah Wan Sulaiman	Independent Non-Executive Director	(iii)	Dato' Ahmad Pardas Senin	Senior Independent Non-Executive Director	(iv)	Dato' Sri Abdul Hamidy Abdul Hafiz	Independent Non-Executive Director
No.	Member	Designation															
(i)	Thayaparan Sangarapillai (Chairman)	Independent Non-Executive Director															
(ii)	Datuk Wan Selamah Wan Sulaiman	Independent Non-Executive Director															
(iii)	Dato' Ahmad Pardas Senin	Senior Independent Non-Executive Director															
(iv)	Dato' Sri Abdul Hamidy Abdul Hafiz	Independent Non-Executive Director															

### 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 GAC consists exclusively of INEDs. The composition of the GAC is set out in Practice 8.4 of this CG report.</p> <p>The GAC is chaired by Mr Thayaparan Sangarapillai who is a qualified accountant. The qualifications, skills, experience and expertise varies among the GAC members of whom are from diverse fraternities such as accountancy, finance, audit and public service/management. With their knowledge/vast experience, they are not only capable to understand the matters under the GAC's purview but also be able to provide sound advice to the Board in areas of financial reporting, internal and external audit reports as well as other matters to be considered by the GAC.</p> <p>The Board reviews the terms of office of the GAC members and assess the performance of the GAC and its members through an annual Board Committee effectiveness evaluation. Based on the outcome of the evaluation, the Board is satisfied with the GAC's existing performance.</p> <p>All GAC members are aware of the need to continuously develop and increase their knowledge in the area of accounting and auditing standards, given the changes and development in this area from time to time. In line with this, the GAC members have made continuous effort in keeping themselves abreast of relevant developments by attending trainings in accounting and auditing standards, practices and rules and other development programmes.</p> <p>Listed below are the seminars and training events attended by the members of the GAC to keep abreast of latest developments:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">GAC Member</th> <th>Training attended</th> </tr> </thead> <tbody> <tr> <td>Thayaparan Sangarapillai</td> <td> <ul style="list-style-type: none"> <li>• MICG: How to Develop Integrated Reports</li> </ul> </td> </tr> </tbody> </table>	GAC Member	Training attended	Thayaparan Sangarapillai	<ul style="list-style-type: none"> <li>• MICG: How to Develop Integrated Reports</li> </ul>
GAC Member	Training attended					
Thayaparan Sangarapillai	<ul style="list-style-type: none"> <li>• MICG: How to Develop Integrated Reports</li> </ul>					

		<ul style="list-style-type: none"> <li>• Thematic Sustainability Workshop- Recommendations of the Task Force on Climate related Financial Disclosure</li> <li>• ISO 37001: 2016 &amp; MACC Act Section 17A Foundation Course</li> <li>• Cybersecurity Risk</li> <li>• Presentation: China &amp; the World</li> </ul>
	Datuk Wan Selamah Wan Sulaiman	<ul style="list-style-type: none"> <li>• Disruption Meets Tradition</li> <li>• PNB Corporate Summit – Reboot Corporate Malaysia</li> <li>• The Diverse Facets of Leadership</li> <li>• Presentation: China &amp; the World</li> </ul>
	Dato’ Ahmad Pardas Senin	<ul style="list-style-type: none"> <li>• Refresher on Section 17A of Malaysian Anti-Corruption Commission (Amendment) Act 2018</li> <li>• Presentation: China &amp; the World</li> </ul>
	Dato’ Sri Abdul Hamidy Abdul Hafiz	<ul style="list-style-type: none"> <li>• Anti-Money Laundering Training</li> <li>• Cyber Security Awareness</li> <li>• Session with Prof Dr Kamal Munir</li> <li>• Risk Management – Module 3: Why Are We Embarking Internal Rating Based Journey and Accreditation Expectations</li> <li>• Introduction to Section 17A MACC (Amendment) Act 2018 – Corporate Liability</li> <li>• Singapore Fintech Festival</li> <li>• Presentation: China &amp; the World</li> </ul>
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

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

## Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board maintains a sound risk management framework and system of internal control to safeguard shareholders' investment and the Company's assets. In this respect, the Board has established a governance structure to ensure effective oversight of risks and controls in the organisation. It is assisted by the RMC and GAC to oversee all matters with regards to risks, controls and governance.</p> <p>Group Risk Management ("GRM") is under the purview of the GCFO, who spearheads risk management activities to assist the RMC in ensuring adequate risk management controls are in place.</p> <p>The RMC assists the Board in overseeing the risk management process, leading the organisation's strategic direction in the management of 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 Controls ("SORMIC") which provides an overview of the state of internal controls within the Company is set out on pages 136 to 143 of the Company's Annual Report 2020.</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>	:	The Board has disclosed the key features of its risk management and internal control system as well as its adequacy and effectiveness in the SORMIC as well as the section on “Risk Management” on pages 43 to 51 in the Company’s Annual Report 2020.	
<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") consists of five (5) members, three (3) of whom were Independent Non-Executive Directors.</p> <p>As at on 30 June 2020, the composition of the RMC is as follows:</p> <table border="1"><tr><td>Chairman</td><td>:</td><td>Tan Sri Samsudin Osman (Non-Independent Non-Executive Director)</td></tr><tr><td>Member</td><td>:</td><td>Dato' Lawrence Lee Cheow Hock (Non-Independent Non-Executive Director)</td></tr><tr><td>Member</td><td>:</td><td>Moy Pui Yee (Independent Non-Executive Director)</td></tr><tr><td>Member</td><td>:</td><td>Thayaparan Sangarapillai (Independent Non-Executive Director)</td></tr><tr><td>Member</td><td>:</td><td>Dato' Dr Nirmala Menon (Independent Non-Executive Director)</td></tr></table> <p>The profile of each member can be found on pages 107 to 111 and details of meeting attendance can be found on page 131 of the Company's Annual Report 2020.</p>	Chairman	:	Tan Sri Samsudin Osman (Non-Independent Non-Executive Director)	Member	:	Dato' Lawrence Lee Cheow Hock (Non-Independent Non-Executive Director)	Member	:	Moy Pui Yee (Independent Non-Executive Director)	Member	:	Thayaparan Sangarapillai (Independent Non-Executive Director)	Member	:	Dato' Dr Nirmala Menon (Independent Non-Executive Director)
Chairman	:	Tan Sri Samsudin Osman (Non-Independent Non-Executive Director)															
Member	:	Dato' Lawrence Lee Cheow Hock (Non-Independent Non-Executive Director)															
Member	:	Moy Pui Yee (Independent Non-Executive Director)															
Member	:	Thayaparan Sangarapillai (Independent Non-Executive Director)															
Member	:	Dato' Dr Nirmala Menon (Independent Non-Executive Director)															

## 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 GCA carries out the in-house internal audit function and is an integral part of the Company's internal control system. The function is headed by Mr Ramesh Ramanathan, the Group Head, GCA, who reports functionally to the GAC and administratively to the GCEO. GCA is independent from the activities or operations of other operating units in the Group.</p> <p>GCA's primary role is to provide independent, reasonable and objective assurance in addition to consulting services designed to add value and improve efficiency of the operations within the Group. It assists the Group to achieve its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>The annual CA plan, established on a risk-based approach, is reviewed and approved by the GAC.</p> <p>At each of the quarterly GAC meetings held in FY2020, the GAC received the GCA Report which serves as a platform for an on-going performance review of the internal audit function so as to ensure that the function was effective and independent in discharging its duties and responsibilities in providing independent assessment of the internal controls.</p> <p>To ensure effective management and independence of GCA, the GAC is empowered by its TOR to:</p> <ul style="list-style-type: none"><li>(a) Convene meetings with the Group Head, GCA without the attendance of any executive, and if appropriate, the Group Secretary, whenever deemed necessary.</li><li>(b) Appraise and recommend to the Board the appointment, transfer and termination of the Group Head, GCA; and</li><li>(c) Review and assess the performance of the Group Head, GCA.</li></ul>
<b>Explanation for departure</b>	:	

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

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

## Intended Outcome

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–

- (vi) whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- (vii) the number of resources in the internal audit department;
- (viii) name and qualification of the person responsible for internal audit; and
- (ix) 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><b><u>Overview</u></b></p> <p>The Group has an in-house internal audit function which is carried out by Group Corporate Assurance Department (“GCAD”) and is headed by Mr Ramesh Ramanathan. Mr Ramesh is a Chartered Accountant (ACCA) with more than 20 years of experience from two prominent Big 4 accounting firms i.e. Ernst &amp; Young and Deloitte. He is a member of the Malaysian Institute of Accountants.</p> <p>GCAD is organised as a centralised department with regional Corporate Assurance Departments with direct control and supervision for audit services across the Group. There are a total of 35 internal auditors across the Group supported by Regional Heads in Malaysia and regional offices in Australia and China.</p> <p>GCAD is guided by its Group Corporate Assurance Charter which specifies that GCAD reports functionally to the GAC and administratively to the GCEO to allow an appropriate degree of independence from the operations of the Group. GCAD’s principal responsibility is to undertake regular and systematic reviews of the internal control systems so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group.</p> <p>GCAD’s audit practices conforms to the International Professional Practices Framework (“IPPF”) published by the US Institute of Internal Auditors Inc.</p> <p>The GAC reviews, challenges and approves the GCAD audit plan annually with periodic reviews to ensure robustness in the audit planning process. The GAC also approves the appointment or termination of the Group Head, Corporate Assurance, Heads of GCAD Divisional Teams, and senior members of GCAD. All internal audit assignments during the financial year were conducted by GCAD.</p>

The Quality Assurance & Improvement Programme (QAIP), which focuses on the efficiency and effectiveness of audit processes, continues to be applied to assess the quality of audit processes adopted. It is an ongoing internal assessment that covers key activities within GCAD. Through the QAIP, opportunities for improvements are identified and appropriate recommendations made. These are carried out in the form of annual internal team validations.

The Quality Assurance Review (QAR) is an external assessment conducted at least once every five years by a qualified, independent assessor from an external organisation. It is expected to be conducted in FY2021.

### **Activities**

The attainment of the above objectives involves key activities undertaken by GCAD. The key activities undertaken as part of the assurance process includes, but are not limited to:

- Revised the methodology and practices in respect of risk assessment for audit planning purposes.
- Established a Group Corporate Assurance Plan for financial year 2020 by evaluating risk exposure relating to achievement of the Group's strategic objectives and mapping this against the Divisional Enterprise Risk Management Risk Register to ensure key risks are considered and deliberated with Divisional Management, external auditors and Group Risk Management on a periodic basis.
- Reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls particularly focusing on promoting effective controls across the Group as well as averting opportunity cost. Among the key areas that were audited during the financial year were:
  - Business Centre/Branch Operations;
  - Procurement
  - Human Resource Management
  - Project Management
  - Inventory Management
  - Gift, Entertainment and Travel Expenditure
  - Third Party Management for IT Services
- Evaluating the systems established to ensure compliance with those laws, regulations, policies, plans and procedures which could have a significant impact on the Group and Divisions.
- Conducting investigations into activities or matters channelled via the Whistleblowing Case Management System managed by GCI or

	<p>as requested by Management. The outcomes from the investigations were tabled to the GAC.</p> <ul style="list-style-type: none"> <li>Followed-up on the implementation of Management Action Plans to ensure that necessary actions have been taken/are being taken to remedy any significant internal control gaps identified.</li> </ul>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

## Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of effective dialogue with shareholders and investors. The Company believes that communication with the shareholders is a two-way process. The Company takes into consideration views and feedback it receives from all the stakeholders.</p> <p>The Company has an Investor Relations Unit that facilitates communication between the Company and the investment community to brief them on financial performance, strategies moving forward and updates on deals and transactions to ensure that capital markets are well apprised of our plans. Senior Management of the Company actively engages with the investment community and the Board is periodically briefed on these interactions and feedback from the investment community.</p> <p>The Investor Relations Unit has an extensive programme that involves the holding of regular meetings, conference calls and site visits, all intended to keep the investment community abreast of the Company's strategic developments and financial performance. In addition, investment road shows and conferences are held to engage with shareholders and potential investors across the globe. During the COVID-19 outbreak, the Investor Relations Unit continuously engaged with Investors virtually to keep them abreast of our performance.</p> <p>Every quarter, the Investor Relations Unit provides the investment community with an up-to-date view of the Group's financial performance and operations and are held concurrently with the release of the quarterly financial results to Bursa Securities. Press conferences on the Group's financial results are held half yearly.</p> <p>The analysts' briefing sessions are also broadcast live via webcast to members of the investment community who are overseas or unable to participate in person, to ensure a wider reach of our messages.</p> <p>In addition, the Company actively updates its official website, <a href="http://www.simedarby.com">www.simedarby.com</a> with the latest information on corporate and business aspects of the Group. All press releases, announcements to Bursa Securities, analyst briefings and quarterly results are also made</p>

	<p>available on the websites to promote accessibility of information to the Company's shareholders and all stakeholders.</p> <p>Shareholders are welcomed to raise queries by contacting the Company at any time throughout the year. The contact information is available on <a href="http://www.simedarby.com/investor/investor-centre">http://www.simedarby.com/investor/investor-centre</a> and at the Contact Us section of the Company's website at <a href="http://www.simedarby.com">www.simedarby.com</a>.</p>	
<p><b>Explanation for departure</b></p>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	:	
<p><b>Timeframe</b></p>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group’s Annual Report 2020 generally adopts the guiding principles and content elements of the International Integrated Reporting Framework of the International Integrated Reporting Council.</p> <p>Integrated reporting is an on-going journey and the Group will continue improving its Integrated Reports in line with global best practices.</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 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Notice of 2019 AGM was issued to shareholders on 16 October 2019, 28 days prior to the AGM.</p> <p>The Notice of the forthcoming AGM which is scheduled to be held on 12 November 2020 will be issued to shareholders on 14 October 2020, effectively serving 28 days of notice.</p> <p>Sime Darby shall publish on its website an Administrative Guide together with the Notice of the 14<sup>th</sup> AGM, to provide the shareholders with the detailed procedures of the AGM, their entitlement to attend the AGM, their rights to appoint a proxy and information as to who may count as a proxy. The Company allows a member to appoint a proxy who need not be a member of the Company.</p> <p>The notes to the Notice of the 13<sup>th</sup> AGM dated 16 October 2019 had provided detailed explanations for each resolution proposed, e.g. re-election of Directors, Directors' remuneration comprising the Directors' fee and benefits, re-appointment of auditors, proposed shareholders' mandate, proposed share buy-back, to enable shareholders to make informed decisions in exercising their voting rights.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>At the Company's AGM conducted on 14 November 2019, all Directors attended the AGM. The Chairmen of GAC, NRC and RMC were present in person to engage directly with shareholders.</p> <p>The proceedings of the 13<sup>th</sup> AGM included the GCEO's presentation of the Company's operating and financial performance for 2019 and a Questions &amp; Answers session during which the Chairman invited shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting the resolutions to vote.</p> <p>Senior Management and representatives of External Auditors and Advisor(s) were also present to respond to any queries by the shareholders. The responses to the questions raised by the Minority Shareholders Watch Group were distributed to shareholders at the AGM and uploaded to Sime Darby's website at <a href="http://www.simedarby.com/investor/agmegm">http://www.simedarby.com/investor/agmegm</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

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–

- (f) including voting in absentia; and
- (g) remote shareholders' participation at General Meetings.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Sime Darby had at its 13<sup>th</sup> AGM held on 14 November 2019 leveraged on the technology to facilitate electronic voting (“e-voting”) for the conduct of poll on all resolutions. The electronic voting devices were used to provide a more efficient and accurate outcome of results.</p> <p>Sime Darby had appointed Tricor Investor &amp; Issuing House Services Sdn Bhd (“Tricor”) as Poll Administrator to conduct the polling process and Coopers Professional Scrutineers Sdn Bhd (“CPS”) as Scrutineers to verify the poll results.</p> <p>Personalised passcode slips were issued by the Share Registrar upon registration for e-voting at the 13<sup>th</sup> AGM. The polling process for the resolutions was conducted upon completion of the deliberation of all items transacted at the 13<sup>th</sup> AGM. The shareholders/proxies were directed to the e-voting counters to cast their votes.</p> <p>The Scrutineers, CPS, upon verification of the poll results, announced the results for each resolution, which included votes in favour and against, upon which the Chairman of the Meeting declared whether the resolutions were carried. The poll results were also announced by Sime Darby via Bursa LINK on the same day for the of all shareholders. Minutes of the 13<sup>th</sup> AGM were also made available on Sime Darby’s website.</p> <p>The forthcoming 14<sup>th</sup> AGM of the Company has been scheduled to be held on 12 November 2020. In view of the current COVID-19 pandemic and in the interest of the safety and health of shareholders, the Company’s forthcoming 14<sup>th</sup> AGM will be a fully virtual meeting via live streaming with online remote participation and voting. The shareholders will be able to fully participate and vote at the forthcoming AGM from any locations.</p>
<b>Explanation for departure</b>	:	

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

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

**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.*

Not applicable
----------------

