

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5751
COMPANY NAME : SAUDEE GROUP BERHAD
FINANCIAL YEAR : 31 JULY 2018

OUTLINE

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors (Board) of Saudee Group Berhad (“SAUDEE” or the “Company”) recognised on the Company's strategic aims and committed to play a key role for the Company to meet its objectives, visions and missions.</p> <p>The Board is guided by the Board Charter and the roles and responsibilities of the Board are included in the Board Charter, which is available on the Company's corporate website at www.saudee.com.</p> <p>To ensure the smooth sailing of the Company's policies, strategies and business plans, the Board delegates some of the Board's authorities and discretion to the Executive Chairman, Managing Director, Executive Directors, representing the Management, as well as to properly constituted Board Committees, namely the Audit Committee (AC), Nominating Committee (NC) and Remuneration Committee (RC), Risk Management Committee (RMC) and ESOS Committee with clearly defined terms of reference. This enables the Board to achieve operational efficiency by empowering these Committees to decide on matters within their respective written terms of reference and yet allow the Board to maintain control over major policies and decisions.</p> <p>The term of reference to discharge its duties is referred to Company's corporate website.</p> <p>The Board has overall responsibility for the sustainable growth and financial soundness of the company and its subsidiaries (the “Group”). To ensure the Group operates as desired goals and objectives of the Company, the Board has the power to decide on all matters pertaining to the Company's business.</p> <p>1. The Board together with the Management is responsible for promoting good corporate governance (CG) culture within the Group and exercising reasonable care of the Company as well as the Group's resource in delivery of long-term value to shareholders while taking into account of other stakeholders. The Board conscientiously strives to attain high business ethics and governance in conducting the day-</p>

to-day business affairs of the Group, in order to build a sustainable business and discharging its regulatory role.

The Code of Ethics for Directors includes principles relating to their duties, conflict of interest and dealings in securities are available at the Company's website.

SAUDEE is committed to ensuring that its business and operations are conducted in an ethical, moral and legal manner. In line with this commitment, SAUDEE had implemented the Whistleblowing Policy (WPP) to provide an avenue for all employees to disclose any improper conduct with the Company.

The WPP of SAUDEE is available at its corporate website. The WPP sets out the internal channel/procedures for all employees of the Company to disclose any irregularities and the protection accorded to employees who disclose such allegations.

2. The Board plays an active role in the development of the Company's strategy, and monitoring of its performance and implementation.

The Board has in place a strategy planning process, whereby the Senior Management presents to the Executive Directors (EDs) its recommended strategy and proposed business plan for the following year during the management meeting. The EDs review and deliberate both the Management's proposals and its own points of view, and challenge the Management's views and assumptions for the proposed targets, to obtain the best outcome for the benefit of the Company.

3. In ensuring that the strategic plan of SAUDEE supports long-term value creation, the Board reviews the outcome of the Management's assessment and validates the material sustainability matters, namely economic, environmental and social that are important to the Company's business and stakeholders.

A narrative statement of the management of material economic, environmental and social risks and opportunities is provided in the Sustainability Report in Annual Report 2018.

4. The Executive Chairman responsible for the overall business planning and development, the formulation of strategic plans and policies for the Group. The Managing Director (MD) is involved in the day- to- day running of the affairs of the Group and responsible for the product research and development, transformation and modernisation of the food production process through automation. The Management's performance under the leadership of the Executive Chairman and MD are monitored by the Board through quarterly results which is tabled to the Board during each reporting period.

The Board continuously observes the external and internal business environment to ensure proper actions has been taken to address the environmental changes that might affect the Group's business.

	<ol style="list-style-type: none"> 5. The Board oversees the risk management framework of the Group and monitors the Group's risk profile with the assistance from its RMC. The RMC advises the AC and the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organisation to ensure that all major risks are well managed. The AC reviews the internal controls of the Group to ensure the protection of its assets and its shareholders' investment. 6. The RMC comprising Department Heads to assess the Group's risk exposure and implementation of appropriate actions manage the risks. 7. The Board has reviewed and approved the ERM Framework, an overarching framework for 4 categories of enterprise risks namely Strategic, Operation, Reporting and Compliance. The RMC assists the Board in overseeing the adherence of established risk appetite/tolerance at the enterprise wide level in the ERM Framework. 8. The Board has formulating succession policy for the Group's key personnel positions with a view to ensuring the Group's continued ability to sustain and compete effectively in the market. The Group's is pursuing promotion from within policy to consider current employees for promotion opportunity and provide training to increase their capability to act as successor of the key management personnel. 9. To enable effective communication with stakeholders, the Board has identified the relevant personnel to handle investor relation related matter for the Group and their contacts are published in the Group's website. 10. The Board emphasised the importance of embracing the integrity and ethical values across the organisation. The same applies to the Company's financial and non-financial reporting to ensure reliability, timeliness, transparency and compliance with the relevant standards.
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

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

Practice 1.2

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

Application :	Applied
Explanation on application of the practice :	<p>The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company's corporate website at www.saudee.com.</p> <ol style="list-style-type: none">1. The Chairman leads the Board by setting the tone at the top, and managing the Board's effectiveness by focusing on strategy, governance and compliance. In turn, the Board monitors the functions of the Board Committees in accordance with their respective ToR to ensure its own effectiveness.2. The Chairman with the assistance of the Company Secretary sets the Board agenda for each meeting based on the dates of scheduled Board meetings in the annual meeting calendar. The Chairman ensures that all Directors have full and timely access to information with an agenda on matters requiring Board's consideration. Agenda and documents relevant to the Board meetings are circulated at least 7 days in advance to the Directors for their review before the meetings to ensure the effectiveness of the Board meetings.3. The Chairman leads the pace of the meeting and fosters discussion and deliberation to ensure effective decision making processes.4. The Chairman encourages Board members to actively take part on the Board meetings and promotes an open environment to allow Board members to freely express dissenting views for discussion on the overall control, Management's performance and strategy development of the Company.5. During deliberations at Board meetings, the Chairman provides his objective views and decisions to resolve situations when there are differing views between the Board Members and the Management.6. The Chairman plays a role in fostering constructive dialogue between stakeholders and the Board to ensure that stakeholders' views are conveyed to the Board.7. The Chairman leads the Board by ensuring that SAUDEE adheres to all the relevant laws and regulations as well as champions good CG and ethical practices throughout the Group.

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

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>Presently, the Chairman is an Executive Director and there are three (3) Independent Non-Executive Directors out of six (6) board members. Under the new Code, it recommends that at least half of the Board of Directors comprises independent directors. As of now, half of the Board of Directors are independent directors which sufficient to ensure effective check and balance in the Board.</p> <p>The separation of the role of the Chairman from that of the MD facilitates appropriate balance of role, responsibility and accountability and promotes appropriate supervision of the management.</p> <p>The distinct and separate roles and responsibilities of the Executive Chairman and Managing Director (MD) are provided in the Board Charter, which is available on the Company's corporate website at www.saudee.com.</p> <p>The positions of Executive Chairman and MD are held by two (2) different individuals who are not related to each other. On 30 October 2017, Mr Khoo Lay Tatt was re-designated as Executive Chairman he is responsible to lead the Board in the oversight of management and implementing the Board policies, and he is mainly responsible for the overall business planning and development, the formulation of strategic plans and policies for the Group and the Board's effectiveness and conduct.</p> <p>Whereas MD, Mr Tan Khang Khim who is involved in the day- to- day running of the affairs of the Group and responsible for the product research and development, transformation and modernisation of the food production process through automation. He is assisted by the other Executive Director and the management for the overall development and expansion of marketing networks as well as implementation of sales, distribution and promotional activities of the Group including the implementing of Board policies and decisions.</p> <p>There is a clear and separate division of responsibility in the roles and duties of Executive Chairman and Managing Director to enable a balance of power and authority and greater capacity for independent decision-making. This is in line with the recommendation of the Code, which requires the Board to establish clear functions reserved for the Board and those delegated to the management.</p>

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

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

Practice 1.4

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

Application :	Applied
Explanation on application of the practice :	<p>The Board is supported by Chartered Secretary. Following the resignation of Ms. How Wee Ling (MAICSA 7033850) and Ms. Ooi Ean Hoon (MAICSA 7057078) on 31 October 2017, Ms. Ooi Yoong Yong (MAICSA 7020753) was appointed as Company Secretary who are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.</p> <ol style="list-style-type: none">1. The Company Secretary attend all Board and Board Committees meetings and support the Board by ensuring that all meetings are properly conducted and deliberations of issues discussed, decision and conclusions at the meetings are well captured and recorded in the minutes of the meetings. The draft minutes of the meeting are circulated within one week of the meetings to the Board for early feedback and suggestions prior to tabling at the subsequent meetings for formal confirmation.2. The Company Secretary are responsible for advising the Board of their obligations and duties, disclosure of their interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.3. The Company Secretary assist the Board on orientation of new director(s). Newly appointed Director(s) undergo a formal induction on their roles and responsibilities and business nature of the Group.4. The Company Secretary constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretary. <p>The Company Secretary play an advisory role to the Board on corporate disclosures and compliance with the relevant changes to the laws, rules and regulations. The Company Secretary updated the Board on the implementation of Companies Act 2016 effective 31 January 2017, and the amendments to the Main Market Listing Requirements (Main LR) issued by Bursa Malaysia Securities Berhad on 29 November 2017.</p>

	<p>5. For annual general meetings which are held in December annually, the Company Secretary assist the Board in ensuring that the due processes and proceedings are in place and properly managed. During the meetings, the Company Secretary minute the question raised by the shareholders, if any.</p> <p>6. The Company Secretary monitor the developments of CG and assist the Board in applying best practices to meet the Board's needs and stakeholders' expectations.</p>
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

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated in Q4 to all Directors before the beginning of every year. The calendar provides Directors with scheduled dates for the Board meetings, Board Committees meetings and the Annual General Meeting (AGM).</p> <p>The Board has full and timely access to information with an agenda and a set of comprehensive Board papers distributed in advance of meetings, at least seven (7) days prior to the meeting, to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meetings. This is to ensure that the Directors have sufficient preparation time and information to make an informed decision at each Board meeting. The Senior Management and external advisors may be invited to attend Board meetings, to advise and provide the Board with detailed explanations and clarifications whenever necessary on matters that are tabled.</p> <p>The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.</p> <p>The Company Secretary will communicate to the relevant Management the Board's decisions/recommendations (as the case may be) via circulation of draft minutes of meetings for appropriate actions to be taken.</p>
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

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

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

Practice 2.1

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

The board charter clearly identifies–

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

Application :	Applied
Explanation on application of the practice	<p>The Board's Charter sets out the roles and responsibilities of the Board and Board Committee. It is available in the corporate's website at www.saudee.com.</p> <p>The Board Charter addresses, which include amongst others, the Board obligations and responsibilities, Directors' Code of Conduct and Ethics, role of the Board, Executive Chairman and Managing Director, the Management, Senior Independent Non-Executive Director, Individual Directors, Company Secretary, appointment of new directors, the right balance and composition of the Board, remuneration policy and the establishment of Board Committees together with the required mandate and activities.</p> <p>The Company's Board Charter is subject to review periodically to ensure it remains consistent with the Board's objectives, current laws and CG practices. The Board Charter was reviewed on 27 September 2018. The revised Board Charter is available on the Company's corporate website.</p> <p>The Board Charter is to guide the Directors in discharging their duties and responsibilities as Directors and is drafted in accordance with the fundamental requirements of provisions in the Companies Act, 2016, Listing Requirements, Capital Markets and Services Act 2007, Articles of Association of the Company and other applicable rules or regulations governing the Group's business activities.</p> <p>The Board is also responsible to ensure continuing education/training for the Directors to update their knowledge and enhance their skills through attendance at relevant programs, so as to enable them to sustain their active participation in Board deliberations.</p> <p>In accordance with Paragraph 15.08(3)(b) of the Main LR, the Directors had attended various training programmes in 2018 which include the following:</p>

Name of Director	Training Programmes / Seminar	Mode of Training
Khoo Lay Tatt	<ul style="list-style-type: none"> Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committee (1 August 2017) 	Workshop
	<ul style="list-style-type: none"> Halal Awareness Programme (15 November 2017) 	Seminar
	<ul style="list-style-type: none"> Managing An Effective Environmental, Occupational Safety And Health Committee Training (19 April and 26 April 2018) 	Seminar
Tan Khang Khim	<ul style="list-style-type: none"> Halal Awareness Programme (15 November 2017) 	Seminar
	<ul style="list-style-type: none"> Managing An Effective Environmental, Occupational Safety And Health Committee Training (19 April and 26 April 2018) 	Seminar
Low Ai Choo	<ul style="list-style-type: none"> Halal Awareness Programme (15 November 2017) 	Seminar
Sim Yee Fuan	<ul style="list-style-type: none"> National tax seminar 2017 (14 November 2017) 	Seminar
	<ul style="list-style-type: none"> Economic Outlook 2018 (25 January 2018) 	Seminar
	<ul style="list-style-type: none"> 2018 Market Outlook- Another Year of Challenges and Opportunities (21 Feb 2018) 	Seminar
	<ul style="list-style-type: none"> Malaysia : Outlook and Strategy 2018 (02 March 2018) 	Seminar
	<ul style="list-style-type: none"> Malaysian Code on Corporate Governance and Bursa’s Listing Requirements (13 March 2018) 	Seminar

	Ustaz Abdul Hamid Bin Sulaiman	Risk Assessment for ISO 9001:2015 QMS (20 April 2018)	Workshop
	Koay San San	Mandatory Accreditation Programme (12-13 February 2018)	Workshop
		ISO 9001: 2015 QMS Standard Interpretation and Context of Organisation (22 March 2018)	Workshop
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

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Code of Conduct and Ethics for all Directors and Employees of the Group.</p> <p>The principle of the Code of Ethics for Directors is based on principles of sincerity, integrity, responsibility and corporate social responsibility. This Code of Ethics provides guidance for establishing a standard of ethical behaviour for Directors and upholding the spirit of responsibility and social responsibilities.</p> <p>The Directors' Code of Ethics consist of three (3) major areas, namely:</p> <ul style="list-style-type: none"> • Corporate Governance; • Relationship with shareholders, employees, creditors, customers and other stakeholders; and • Social responsibilities and the environment. <p>The core areas of conduct as below:</p> <ul style="list-style-type: none"> • Conflict of interest • Confidential Information • Inside Information and Securities Trading • Protection of Company's Assets • Compliance with the Law • Personal Gifting • Sexual Harassment • Fair and Courteous Behaviour • Misconduct • Corporate Governance <p>Besides, all employees of the Group are bound to follow employee handbook where employment issues are dealt with fairly and consistently. To ensure that all employees of the Group are clear on the ethical values in the Company, compliance with laws, rules and regulations, respect to colleague in the workplace, protection of Company's property, professionalism in all business practices are also covered under employee handbook.</p>

	<p>All Directors and Employees shall always uphold the spirit of responsibility to observe and ensure compliance with all applicable laws, rules and regulations to which they are bound for administrating a company.</p> <p>The Code of Conduct and Ethics is available for reference on the Company's corporate website at www.saudee.com</p>
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

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to ensure high standards of CG, business integrity and accountability in conduct of its business and operations.</p> <p>The Company's Whistleblowing Policy provides the internal channel/procedures for employees of the Company and any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines. This policy also provides protection to the individuals who have made the allegation or reported the misconduct.</p> <p>The above policy is available on the Company's corporate website at www.saudee.com</p>
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>During FYE 2018, the Board comprised three (3) Executive Directors, two (2) Independent Non-Executive Director (INED), and one (1) Senior Independent Non-Executive Director (SINED).</p> <p>The presence of Independent Non-Executive Directors provides a pivotal role in corporate accountability. The role of the Independent Non-Executive Directors is particularly important as they provide independent and objective views, advice and judgment and ensure strategies proposed by the Management are thoroughly discussed and evaluated, and that the long-term interests of stakeholders are considered. The Independent Non-Executive Directors do not participate in the operation of the Group in order to uphold their objectivity and fulfil their responsibility to provide check and balance to the Board</p> <p>In the meeting on 29 September 2017, NC proposed candidates of additional independent director of the company. The proposed appointment of additional independent director was in line with the recommendation of MCGG that at least 50% of its Board to be Independent Director.</p> <p>On 30 October 2017, the Board is pleased to appoint Ms. Koay San San as one of our Independent Non-Executive Director and Mr Khoo Lay Tatt was re-designated as Executive Chairman. Currently, the Board size comprises six (6) members, half of the Board of Directors are independent directors which sufficient to ensure effective check and balance in the Board.</p> <p>All Directors had given confirmations on an annually basis, as to whether he/she has any family relationship with any director and/or major shareholder of SAUDEE, any convictions for offences within the past five (5) years other than traffic offences, any public sanction or penalty imposed by the relevant regulatory bodies, any conflict of interest with SAUDEE and any securities held in SAUDEE. This is one of the criteria to enable the Board/NC to assess the Directors' independence as and when any new interest or relationship develops.</p>
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application :	Applied- Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice :	<p>Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Independent Non-Executive Directors (INED) as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs.</p> <p>The Board and the NC have deliberated on the recommendation and hold the view that the ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.</p> <p>NC would conduct an annual assessment of INEDs in respect of inter-alia their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgment. Furthermore, the NC also would review the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).</p> <p>On 27 September 2018, both the Board and the NC have assessed and reviewed on the independence, qualification, experience and performance of Mr Sim Yee Fuan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and recommended him to be retained as the INED of the Company based on the Board justifications that Mr Sim Yee Fuan has performed his duties diligently and provided independent views in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company. The Board believes that with Sim Yee Fuan's expertise and broad experience together with his accumulative knowledge of the Group's business and operation provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board.</p>

	In view of the assessment, the Board proposed to retain Mr Sim Yee Fuan, to continue acting as INED of the Company which subject to the shareholders' approval at the forthcoming 10 th AGM.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 4.3 – Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied																																													
Explanation on application of the practice	:	<p>The Board recognizes that diversity is important to enhance Board effectiveness as diversity broadens the debate within the Board by harnessing different insights and perspectives. The Board with a diversified background and collectively bring with them a wide range of experience and expertise in areas such as entrepreneur , industrial, marketing, corporate, accounting, finance, governance risk and compliance, and law/legal with relevant industry knowledge in which the Group currently operates in.</p> <p>The Board and NC take into account the current diversity in the skills, experience, gender, ethnicity and age 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>The Directors' profiles are provided on pages 10 to 12 of the Annual Report. In FYE 2018, the diversity in the age, ethnicity and gender of the Board were as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4">Age</th> <th colspan="2">Ethnicity</th> <th colspan="2">Gender</th> </tr> <tr> <th>30-39</th> <th>40-49</th> <th>50-59</th> <th>60-69</th> <th>Bumiputera</th> <th>Chinese</th> <th>M</th> <th>F</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1</td> <td>2</td> <td>2</td> <td>1</td> <td>5</td> <td>4</td> <td>2</td> </tr> </tbody> </table> <p>Besides, the appointment of Key Senior Management was also made with due regard for diversity in skills, experience, gender, ethnicity and age. The profiles of the Key Senior Management are furnished on pages 13 and 14 of the Annual Report. The diversity in the age, ethnicity and gender of the Key Senior Management were as follows in FYE 2018:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3">Age</th> <th colspan="2">Ethnicity</th> <th colspan="2">Gender</th> </tr> <tr> <th>40-49</th> <th>50-59</th> <th>60-69</th> <th>Bumiputera</th> <th>Chinese</th> <th>M</th> <th>F</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>1</td> <td>1</td> <td>1</td> <td>3</td> <td>3</td> <td>1</td> </tr> </tbody> </table> <p>Nevertheless, Lee Shiau Chuen (Female) a Senior Finance Manager was resigned with effective on 21 September 2018.</p> <p>It is important to promote such diversity, the normal selection criteria of a Director or Senior Management, based on effective blend of competencies, skills, extensive experience and knowledge in relevant industry should remain priority so as not to compromise on the effectiveness in carrying</p>	Age				Ethnicity		Gender		30-39	40-49	50-59	60-69	Bumiputera	Chinese	M	F	1	1	2	2	1	5	4	2	Age			Ethnicity		Gender		40-49	50-59	60-69	Bumiputera	Chinese	M	F	2	1	1	1	3	3	1
Age				Ethnicity		Gender																																									
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1	1	2	2	1	5	4	2																																								
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40-49	50-59	60-69	Bumiputera	Chinese	M	F																																									
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	out their duties and responsibilities and the achievement of the Group's goals and objectives.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is presently of the view that there is no necessity to fix a specific gender diversity policy. The Board is of the view that the appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable to be in line with the MCCG's target. Therefore, the Board is pleased to appoint Ms. Koay San San as one of our Independent Non-Executive Director on 30 Oct 2017. During the FYE 2018, there was two (2) woman representation on the Board. Women participation on Board has reached 33%.</p> <p>With respect to the Senior Management, SAUDEE has 25% of women holding key positions in the Group in FYE 2018.</p>
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The NC is guided by the ToR in carrying out its responsibilities in respect of the nomination, selection and appointment process for Directors of the Company.</p> <p>Appointment of Board is based on objective criteria, merit and with due regard for diversity in skills, experience, age, ethnicity and gender. As such, director candidates should be sourced from a diverse pool.</p> <p>On 29 September 2017, an INED introduced two (2) proposed candidates to the Board and he then abstained himself from the deliberation during the interview session and the nominating process. Based on the current size of the Group, the sourcing of candidate(s) via the existing INED would be a better option as it provided much efficiency and effectiveness by saving time and resources as compared to the independent source.</p> <p>After having considered the gender diversity requirement and personal qualities, the NC agreed to recommend Ms. Koay San San for the appointment as INED of the Company.</p> <p>To ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively and in line with the Paragraph 15.06 of the Main LR, the criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships of more than five (5) public listed companies.</p>
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating Committee currently comprises three Independent Directors.</p> <p>Chairman:Ustaz Abdul Hamid Bin Sulaiman</p> <p>Member : Sim Yee Fuan (Senior Independent Non-Executive Director) Koay San San (Independent Non-Executive Director) <i>(Appointed w.e.f. 30 October 2017)</i> Khoo Lay Tatt (Executive Chairman) <i>(Resigned w.e.f. 30 October 2017)</i></p> <p>The Terms of Reference of the Nominating Committee is available on the Company's website at www.saudee.com.</p>
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 form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

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

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

Application	:	Applied								
Explanation on application of the practice	:	<p>The NC established a set of appraisal form which comprising quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole. The criteria for assessment of Directors shall include attendance record, intensity of participation at meetings, quality of interventions and special contributions.</p> <p>Individual Director self-evaluation, assessment of independency of Independent Directors, Board evaluation, Board Committee evaluation were carried out annually. The areas covered are as follows:</p> <table border="1"> <thead> <tr> <th>Annual Evaluation</th> <th>Assessment Criteria</th> </tr> </thead> <tbody> <tr> <td>Individual Director self evaluation</td> <td> <ul style="list-style-type: none"> • Professional qualification & skills • Knowledge & experience • Interaction with the Board / Management • Participation and contributions during Board meetings • Other traits / strengths • Management skills & abilities </td> </tr> <tr> <td>Assessment of independency of Independent Directors</td> <td> <ul style="list-style-type: none"> • As prescribed under Paragraph 1.01 and Practice Note 13 of Main LR. </td> </tr> <tr> <td>Board & Board Committee evaluation</td> <td> <ul style="list-style-type: none"> • Board Mix and Composition • Quality of Information & Decision Making • Boardroom Activities </td> </tr> </tbody> </table> <p>On 27 September 2018, the above assessments were carried out in respect of the FYE 2018. The NC reviewed the result of the evaluation and agreed that the Company has the necessary mix of skill, experience and other necessary qualities to serve the Board and Board Committee effectively.</p>	Annual Evaluation	Assessment Criteria	Individual Director self evaluation	<ul style="list-style-type: none"> • Professional qualification & skills • Knowledge & experience • Interaction with the Board / Management • Participation and contributions during Board meetings • Other traits / strengths • Management skills & abilities 	Assessment of independency of Independent Directors	<ul style="list-style-type: none"> • As prescribed under Paragraph 1.01 and Practice Note 13 of Main LR. 	Board & Board Committee evaluation	<ul style="list-style-type: none"> • Board Mix and Composition • Quality of Information & Decision Making • Boardroom Activities
Annual Evaluation	Assessment Criteria									
Individual Director self evaluation	<ul style="list-style-type: none"> • Professional qualification & skills • Knowledge & experience • Interaction with the Board / Management • Participation and contributions during Board meetings • Other traits / strengths • Management skills & abilities 									
Assessment of independency of Independent Directors	<ul style="list-style-type: none"> • As prescribed under Paragraph 1.01 and Practice Note 13 of Main LR. 									
Board & Board Committee evaluation	<ul style="list-style-type: none"> • Board Mix and Composition • Quality of Information & Decision Making • Boardroom Activities 									

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

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board strives to ensure that there are formal and transparent remuneration policies and procedures in place to attract and retain Directors and Senior Management of the calibre needed to run the Group successfully. Therefore, the Board has established a Remuneration Committee (RC) with an objective to assist the Board in the review of formal policy which set by the Board and consideration of the proposed a fair and attractive remuneration framework of the Directors and Senior Management which includes the remuneration packages and other terms of employment for the Executive Directors.</p> <p>The remuneration policy of the Group is summarised as follows :</p> <ol style="list-style-type: none">a) Determination of remuneration of Directors remained a collective decision of the Board.b) The salary for Executive Directors are set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.c) The Company also reimburses reasonable expenses incurred by Directors in the course of their duties.d) The Directors who perform extra services for any of the purpose of the Company will be paid special remuneration in term of fixed allowance, in addition to his/her Director's feee) Directors' Fees and other benefits if any are subject to approval by its shareholders at the AGM.f) Other than directors' fee, Executive Directors are also entitled to receive bonus and statutory contribution.g) Benefits-in-kind - only Executive Directors of the Group are entitled to benefits-in-kind provided by the Group.h) The RC may obtain independent professional advice in formulating the remuneration package of its Directors. <p>As a procedure:</p> <ul style="list-style-type: none">• Directors' fees and benefits payable to the NEDs have been reviewed by the Board, thereafter, recommends to the shareholders for approval

	<p>in the annual general meeting in accordance with Section 230(1)(b) of the Companies Act 2016.</p> <ul style="list-style-type: none"> • The Remuneration Committee recommends to the Board the remuneration package of the Executive Directors. The Executive Directors do not participate in decisions regarding their own remuneration packages. • The Board will meet at least once in a financial year to formulate and review the remuneration policy and remuneration of members of the Board and Board Committee.
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

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established Remuneration Committee with an objective to assist the Board to recommend a formal and transparent procedure and structure in determining the remuneration package for the Executive Directors and Senior Management. Each Director concerned shall abstain from any decision with regards to his own remuneration.</p> <p>The Remuneration Committee's duties and responsibilities which includes:-</p> <ol style="list-style-type: none"> a. ensuring that the remuneration policies are made through a transparent and independent process; b. ensuring that all the Executive Directors and Senior Management are fairly rewarded for their individual contributions to the Company's overall performance and the remuneration are structured to link rewards to corporate and individual performance; c. ensuring that the compensation and other benefits motivate and encourage Executive Directors and Senior Management to act in ways that enhance the Company's long-term profitability and value; d. recommending to the Board a remuneration framework and the level of remuneration for the Executive Directors and Senior Management; e. recommending to the Board the remuneration package for Non-Executive Directors; and f. ensuring recommendations of the Remuneration Committee are submitted for endorsement by the entire Board, covering all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances and bonuses. <p>a. Procedure</p> <p>The Board as a whole determines the remunerations of Non-Executive Directors with individual Directors abstaining from making decisions in respect of their individual remunerations. The Directors' fees and other benefits if any are approved at the AGM by shareholders.</p> <p>The Terms of Reference of the Remuneration Committee is available on the Company website at www.saudee.com</p>

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 7.1

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

Application	:	Applied									
Explanation on application of the practice	:	The detailed disclosures of remuneration breakdown of each Director for the FYE 2018 are as follows:									
		Name of Directors	Remuneration received from the Company			Remuneration received from Subsidiary Companies				Group Total (RM)	
			Fees (RM)	Meeting and Other allowance (RM)	Total (RM)	Salary (RM)	Bonus (RM)	Allowance and other emoluments (RM)	Benefit-in-kind (RM)		Total (RM)
		Khoo Lay Tatt (Executive Chairman)	52,000	3,000	55,000	306,376	141,343	94,137	-	541,856	596,856
		Tan Khang Khim (Managing Director)	32,000	3,000	35,000	328,154	81,343	53,133	9,000	471,630	506,630
		Low Ai Choo (Executive Director)	24,000	3,000	27,000	230,923	38,130	35,481	-	304,534	331,534
	Sim Yee Fuan (Senior Independent Non-Executive Director)	48,000	3,000	51,000	-	-	-	-	-	51,000	

	Ustaz Abdul Hamid Bin Sulaiman (Independent Non-Executive Director)	36,000	3,000	39,000	-	-	-	-	-	39,000
	Koay San San (Independent Non-Executive Director)	27,000	5,000	32,000	-	-	-	-	-	32,000
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. Remuneration policies and decisions are made through a transparent and independent process.

Practice 7.2

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

Application	:	Applied		
Explanation on application of the practice	:	All key Senior Management of the Group whose total remuneration during the financial year ended 2018 fall within the following bands, is as follows:		
			Range of Remuneration	
			RM100,000 - RM 150,000	RM200,000- RM 250,000
		Name of Senior Management		
		Andrew Khor Khiam Soo (Commercial Director)		✓
		Chong Kok (Chief Financial Officer)		✓
		Mohd Azman Bin Manaf (General Manager)	✓	
	Lee Shiau Chuen (Senior Financial Manager) (Resigned w.e.f on 21 September 2018)	✓		
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. Remuneration policies and decisions are made through a transparent and independent process.

Practice 7.3 – Step Up

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

Application	:	Not adopted
Explanation on application of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	The Chairman of the Audit Committee , Mr. Sim Yee Fuan, a Senior Independent Non-Executive Director while the Chairman of the Board is Mr Khoo Lay Tatt an Executive Chairman. This has ensured that the objectivity of the Board's review of the Audit Committee's findings and recommendations are not impaired. The Terms of Reference of the Audit Committee is available at the Company's website at www.saudee.com
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	Since the formation of the Audit Committee, the Board has never appointed any former key audit partner as it Audit Committee member. The Board will observe a cooling-off period of at least two years in the event any potential candidate to be appointed as a member to the Audit Committee was a key audit partner.
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

There is an effective and independent Audit Committee.

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

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board through the establishment of the Audit Committee (AC), has established a good working relationship with its External Auditors i.e., Messrs Grant Thornton (GT). The Group also maintains a transparent and professional relationship with its External Auditors in seeking professional advice and ensuring compliance with the applicable Financial Reporting Standards in Malaysia. GT report to the shareholders of the Company on their opinion which are included as part of the Group's Annual Report with respect to their audit on statutory financial statements FYE 2018. The Company's External Auditors are appointed every year during the AGM. Members of the AC meet the External Auditors at least twice a year without the presence of the executive Board members to discuss the results and concerns arising from their audit.</p> <p>GT has been appointed as the Group External Auditor during 9th AGM held on 28 December 2017. The External Auditors are invited to attend the Audit Committee meetings and AGM and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.</p> <p>The AC had obtained written assurance from its external auditors. Messrs Grant Thornton confirmed 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 in respect of the audited financial statements of the Group for the FYE 2018.</p> <p>Apart from the assessment guided by the External Auditors Performance and Independence Checklist, the assessment on the suitability, objectivity and independence of the External Auditors, amongst others, are:</p> <ul style="list-style-type: none">• On 29 September 2017, the External Auditors met up with the AC to update the status of audit progress for FPE 2017. During the meeting, the AC enquired the External Auditors whether they have encountered any matter / concern / issue during the course of audit including the co-operation rendered by the staff thus far which will in any way cause difficulties to discharge their duties that warrants the AC's attention. The External Auditors informed that the Management had granted full co-operation to the External Auditors during their course of audit;• On 21 November 2017, GT's presented its proposal for Statutory Audit Service to members of AC. The AC recommended to the Board after reviewed and satisfied with the overall proposal of GT;

	<ul style="list-style-type: none"> • On 27 June 2018, External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for FYE 2018. The main particular outlined included audit timeline, recent development of the group, material litigation, and key areas of audit focus and fraud risk. The Committee also noted the updates i.e. Main LR, Financial Reporting Standards which are applicable to the Group such as revenue recognition, cash flow statement and financial instrument, and their judgment of the items that may affect the financial statements; • On 29 October 2018, the AC noted that the identified Key audit matters by the External Auditors, to be presented in its Independent Auditors' Report. At the same Meeting, the AC reviewed and evaluated the External Auditors' performance, objectivity and independence during the year before recommending to the Board for reappointment and remuneration; Reviewed with the External Auditors, the result of the audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of the audit that required appropriate actions and the Management's responses thereon; • Three (3) Discussion sessions held with the External auditors without the presence of the Executive members. <p>Formed part of the AC's assessment of the suitability, objectivity and independence of GT on an annual basis. Based on the outcome of its assessment conducted on 29 October 2018, the AC decided to recommend to the Board for the shareholders' approval to be sought on the re-appointment of external auditors at the 10th AGM. Please refer the Audit Committee Report of this Annual Report for more details.</p> <p>The AC was satisfied with the suitability of GT based on the quality audit processes, adequate technical support and experience, and sufficient resources the external audit team provided to the Group and its audit independence and performance throughout its course of audit for the FYE 2018.</p> <p>The AC has considered the provision of non-audit services by GT during the financial year under review and concluded that the provision of these services did not compromise their independence and objectivity as the amount of the fee for these service was not significant when compared to the total audit fees payable to the external auditors of RM 156,000. The non-audit fees incurred for services rendered to the Group by the external auditors for the financial year ended 31 July 2018 was RM3,000.</p>
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

There is an effective and independent Audit Committee.

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

Practice 8.4- Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Applied
Explanation on application of the practice	:	The AC comprised solely of Independent Non-Executive Directors (INEDs) throughout FYE 2018. As of the publication of this CG Report, the AC still comprised solely of INEDs.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants and has relevant financial experience and expertise to effectively fulfil the role of Audit Committee Chairman. All of AC members are financially literate to review and analyse Company's financial statement, possess the necessary knowledge, experience, expertise and skills which contributed to the overall effectiveness of the AC. The qualification and experience of the individual AC members are disclosed in the Directors' Profile on pages 10 to 12 of the Annual Report.</p> <p>All AC members undertake continuous professional development to ensure that they are abreast of relevant developments in accounting and auditing standards, practices and rules to meet their requirements. The details training attended stated in Practice 2.1.</p> <p>Apart from training attended, the Directors included AC members are also updated by the Company Secretary on any change to legal and governance practices of the Group, and receive briefing from External Auditors on updates in financial reporting, new accounting standards affecting the Group.</p> <p>During the financial year, the Nominating Committee had reviewed and evaluated the effectiveness of Audit Committee and each of its members. The Audit Committee was assessed based on quality and composition, skills and competencies, as well as meeting administration and conduct. Based on the results of the assessment, the Nominating Committee was satisfied that the Audit Committee and its members had discharged their functions effectively and had carried out their duties in accordance with its Terms of Reference.</p>
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

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established an effective risk management and internal control framework as set out in the Statement on Risk Management and Internal Control (SORMIC) which has been reviewed by the external auditors provided on pages 51 to 54 of the Annual Report to ensure that the risks are managed within risk tolerance set by the Board.</p> <p>The level of risk tolerance of the Company is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to be high risk, significant risk, medium risk and low risk.</p> <p>The Board recognises that system of internal control are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Group's assets as well as investors' interests. Therefore, such system can only provide reasonable but not absolute assurance against material misstatements or losses.</p>
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

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises that risk management is an integral part of the Group's business operations and is important for the achievement of its business objectives. The Group has established a Risk Management Committee ("RMC") in order to manage the overall risk exposure of the Group.</p> <p>The RMC and AC assists the Board to oversee the risk management matters of the Group, which include identifying, quantifying, managing, monitoring and mitigating significant risks across the Group.</p> <p>The RMC reviews and recommends for the Board's consideration and approval, the risk management principles, frameworks and policies for managing risks within the Group. The framework and policies are reviewed periodically to ensure their continuous effectiveness and when there are significant regulatory changes.</p> <p>During the FYE 2018, Risk Management meeting was held on 27 June and 24 July 2018, to discuss and review on the risks of the major subsidiaries with the HODs, and the said discussion/review are as set out in the Risk Management Report dated 24 July 2018.</p> <p>The Board also fully aware of its responsibility for the Group's system of internal controls which is to maintain a sound system of internal control to safeguard the Group's assets and investors' interest. The Standard Operating Procedures (SOPs) within the Group is to ensure the effective and efficient conduct of operations, financial controls and compliance with laws and regulations. The Group has engaged an external professional firm, JWC Consulting Sdn. Bhd. to carry out internal audit function and provide independent assurance on the adequacy and effectiveness of the internal control of the Group. The Audit Committee reviewed and deliberated on the findings together with the recommendation and management action plan from Internal Auditors.</p> <p>The Board recognise that they have to declare their respective interests in transactions with the Group and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. The Company has an internal framework to ensure it complies with the related party transactions as prescribed in the Listing Requirements. The related party transactions are recorded and presented to the Audit Committee on a</p>

	<p>quarterly basis for review and discussion should any concern arise. The Audit Committee reviews any related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that causes questions of management integrity to arise.</p> <p>The AC evaluates the adequacy and effectiveness of the Group’s internal control systems by reviewing the actions taken on deficiencies identified in reports provided by both the internal and external auditors. The AC also reviews the internal and external auditors’ recommendation and management responses to these recommendations to ensure that they are working adequately and promptly.</p> <p>Further details on the management and reporting of four (4) risk categories i.e. strategic risk, operational risk, financial risk, compliance risk, and the controls in place to mitigate and manage those risks are provided in the SORMIC on pages 51 to 54 of the Annual Report.</p>
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

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

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

Practice 9.3 – Step Up

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

Application	:	Applied
Explanation on application of the practice	:	<p>Since 28 December 2017, the Risk Management Committee comprised a majority of independent directors to oversee the company's risk management framework and policies.</p> <p>The composition of Risk Management Committee:</p> <p>Chairman: Koay San San (Independent Non-Executive Director) (Appointed w.e.f. 28 December 2017)</p> <p>Member : Tan Khang Khim (Managing Director) (Redesigned w.e.f. 28 December 2017)</p> <p>Sim Yee Fuan (Senior Independent Non-Executive Director) (Appointed w.e.f. 28 December 2017)</p> <p>Ustaz Abdul Hamid Bin Sulaiman (Independent Non-Executive Director) (Appointed w.e.f. 28 December 2017)</p> <p>Representative(s) from each major business units divisions to be identified by the management from time to time.</p>
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

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has engaged an external professional firm, JWC Consulting Sdn. Bhd. to carry out internal audit function and provide independent assurance on the adequacy and effectiveness of the internal control of the Group. The Audit Committee reviewed and deliberated on the findings together with the recommendation and management action plan from Internal Auditors.</p> <p>AC has unrestricted access to the Internal Auditor. Internal Auditor reports directly to the AC the highlighting key issues and concerns arising from the audits conducted based on the internal audit plan approved by the AC. The results of the audits as disclosed in the internal audit reports were reviewed by the AC. The relevant Management members were made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframes. Internal Auditor conducted follow-up audits and AC keeps updates on key engagements to ensure that the corrective actions were implemented appropriately.</p> <p>To ensure that the responsibilities of Internal Auditor are fully discharged, the AC reviews:</p> <ol style="list-style-type: none"> a) the performance of the Internal Auditor, who has relevant experience and necessary competency to regularly review of the effectiveness of risk management, control, and governance processes within the Group; b) the adequate scope and sufficient resources of the internal audit function; and c) the appraisal or assessment of performance of the internal audit function. <p>A brief statement on the internal audit function with a summary of its key activities is disclosed under the AC Report on page 49 and 50 of the Annual Report.</p>
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

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The outsourcing Internal Auditor, JWC Consulting Sdn. Bhd (JWC) is independent from the Company.</p> <p>On 29 October 2018, JWC confirmed via the annual declaration that JWC is free from any relationships or conflicts of interest, which could impair JWC’s objectivity and independence in carrying out their duties for the FYE 2018.</p> <p>Ms. Joyce Wong Ai May, the person responsible for internal audit of the Group, is a Chartered Accountant of Malaysian Institute of Accountants (MIA) and a Certified Practicing Accountants (CPA).</p> <p>Through as assessment carried out on 29 October 2018, the AC was satisfied with the competency, experience and resources of the internal audit function for discharging its role and responsibilities in respect of FYE 2018.</p>
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

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>SAUDEE ensures that its communication with the shareholders and various stakeholders is effective, transparent, timely and with quality disclosure. The Company also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on SAUDEE's website and engagement through the investor relations function.</p> <p>SAUDEE's website, www.saudee.com, is accessible to the public. To facilitate stakeholders' greater understanding to the Company's business and governance, "Corporate Infor" section provides SAUDEE's corporate information such as group structure, Board of Directors, Code of Conduct and Ethics, Board Charter, ToR of respective Board Committee, and Whistleblowing Policy. "Investor Relations" section includes all announcements made by SAUDEE though Bursa LINK such as quarterly financial results, change in boardroom, change in director's shareholding, outcome of the general meetings and etc., annual reports and corporate governance of the Company.</p> <p>The Investor Relations function is established to enable continuous communication between the Company and its stakeholders. The name and contact number of the relevant personnel handling the investor relation related matter for the Group are also published in the SAUDEE's website under "Investor Relations".</p>
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

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Not applicable as the Company is not a Large Company as defined in the Code.
		Alternative practice: None
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Code was issued on 26 April 2017 and the Company despatched the notice of 9th AGM on 28 November 2017 for holding the said AGM on 28 December 2017.</p> <p>The Company's 10th AGM to be held on 21 December 2018 and notice was dated 21 November 2018. SAUDEE dispatched the notice of AGM to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and Main LR. Shareholders are given sufficient time to make arrangement to attend the general meeting either in person or by corporate representatives, proxies or attorneys.</p> <p>Moreover, further explanations for background information and relevant reports or recommendations will be provided on the ordinary resolutions proposed under special business to enable the shareholders to consider the resolutions thoroughly and make informed decision in exercising their voting rights during AGM.</p>
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

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>It has been the practice of the Company that all Directors be present at its Annual General Meetings. As this is a forum for shareholder engagement, the Chairman encourages shareholders present to raise their concerns and depending on the topic asked, will either answer the question himself or direct it to any of the Directors present and is more suited to address the issue.</p> <p>Key Management Personnel are present at the Annual General Meeting. They too assist to provide response to queries raised.</p> <p>The Notice of Annual General Meeting also sets out clearly the resolutions which will be tabled and provides explanatory notes to assist shareholders make informed decisions.</p>
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

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–

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

Application	Departure
Explanation on application of the practice :	
Explanation for departure :	<p>The Company’s Annual General Meetings have always been held at easily accessible venues for the convenience of the shareholders. The Company has no intention to hold its Annual General Meetings in remote locations in the future.</p> <p>The Company will explore the suitability and feasibility of employing electronics means for poll voting.</p> <p>The forthcoming 10th AGM will be held at the Kedah Resort, Sungai Petani Kedah.</p> <p>Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his or her stead at a general meeting.</p> <p>The Company had conducted poll voting at the 9th AGM held on 28 December 2017 for all resolutions as set out in the notice of the AGM. The poll results of each resolution were announced to Bursa Malaysia Securities Berhad after the AGM via Bursa LINK on the same day.</p>
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

