

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors remains committed to maintaining high standards of good corporate governance practices in the discharge of its duties and responsibilities towards the Company and its shareholders. The Board believes that good governance practices protect and enhance shareholders' value and financial performance of the Company. It also provides sustainability to the business.

This Overview Statement conveys how the Company has put in practice the principles and practices issued under the Malaysian Code of Corporate Governance (the Code) in respect of the financial year ended 31 December 2020. The Board will constantly review its conduct, processes and procedures in order to adhere to the Code.

The details of how the Code was applied during the financial year under review are set out in the Corporate Governance Report and is published on the Company's website at www.spbgroup.com.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is collectively responsible for the overall governance of the Group. It sets the vision and the strategies of the Company to achieve long term success and ultimately enhance shareholders' value and investors' confidence but without compromising good corporate governance practices.

To achieve the above, the Board sets the framework within which the Group shall operate, in particular, the areas of corporate governance, anti corruption, sustainability, internal controls, risk management, succession planning, business and investment strategies. The Board converges its diverse expertise and experience to render advice and mentoring to the Company to realise its visions and strategies.

With 24 years of experience, the Chairman of the Board is well versed in the oil palm sector. Hence, he is well qualified to lead the Board in the vision, strategic direction and business development of the Company. Hand in hand with independent directors of differing background on board, he can also be guided by their knowledge thus providing balance in the decision making process of the Board.

The Chairman is also the driver of the good governance practices within the Board and the Group. The Chairman ensures that information received by the Directors are complete, accurate and timely so that decisions made are based on the right premise.

The Chairman presides over every board meeting and ensures that the directors' opinions are heard. He allows sufficient time for each agenda to be deliberated and provides every director opportunity to actively participate in all discussions.

Key areas reserved for the Board's approval include the annual budget, dividend declaration, capital expenditure beyond a certain limit, acquisitions/disposals of properties/materials of substantial value, appointment of consultants for specific assignments and changes to the Management and control structure within the Company. The Board Charter embodies the full details of the roles and responsibilities of the Board. It is available on the Company's website at www.spbgroup.com.my. The Board Charter is reviewed periodically or as and when necessary so that it remains relevant to the expectations of the investing public and the shareholders of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

As part of the governance structure of the Company, the following Board Committees are in place:

- a. Board Audit Committee;
- b. Nomination Committee;
- c. Remuneration Committee;
- d. Risk Management Committee; and
- e. Board Sustainability Committee.

Prior to 25 March 2021, the Nomination Committee and the Remuneration Committee were joint and were known as the Remuneration and Nomination Committee.

These committees review matters within their terms of reference but the ultimate responsibility for the final decision rests with the Board.

The positions of the Chairman and the Executive Director / Chief Executive Officer are held by 2 different individuals with clear delineation of duties.

While the Board sets the policies and strategies, the implementation and management of the day to day administration and operation of the Group is delegated to the Executive Director and the Key Management Personnel. The Executive Director and the Key Management Personnel carry out the directives of the Board but are subject to the control of the Board.

In year 2020, the Executive Director and the Key Management Personnel were constrained by the COVID-19 pandemic and could not meet physically for the monthly field visits, operation meetings and financial meetings for a better part of the year. But by means of various online platforms, emails, telephone calls and text messages, the Executive Director and Key Management Personnel continued to meet and discussed operational and financial issues. The inability to meet physically did not have any negative impact on the performance of the Group. Instructions were still effectively communicated to the staff and issues continued to be addressed and resolved swiftly. The Executive Director, Key Management Personnel and staff weathered the challenging year with sheer perseverance and determination and overcame the obstacles to achieve success.

The Company has in place a Code of Ethics which sets the standard of acceptable behavior in the Company. The Company also has in place a Corporate Disclosure Policy which governs dissemination of confidential information and how confidentiality of such information is to be maintained and safeguarded. To further enhance good governance, the Anti Bribery and Anti Corruption Policy, Whistle Blowing Policy, Safety and Health Policy, Environmental and Biodiversity Policy, Social Policy, Sustainability and Succession Planning Policy have also been established.

Sustainable practices are inherent across all segments of the business operations of the Group, particularly at the estates and the mills. The Management Discussion and Analysis section and the Sustainability Statement set out in this Annual Report give further details on the Group's sustainability practices.

The Board is supported by a suitably qualified and competent Company Secretary who is also legally qualified. Apart from the administrative job scope of a Company Secretary, she also provides the Board with guidance on matters relating to good corporate governance practices, eg. disclosures, compliance, accountability and transparency.

The Company Secretary also attends all Board and Board Committee meetings and takes the minutes of these meetings. These minutes are circulated to the directors on the same day as the day the meetings are held.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

The Directors have attended the following trainings in order to better equip themselves to execute their duties and responsibilities:

Name of Director	Brief Description of Training
Datuk Amar Abdul Hamed bin Sepawi	- Naim Corporate Retreat (What's Forward in Changing Time)
Dato Wong Kuo Hea	- None attended due to exigencies of work
Hasmawati binti Sapawi	- Corporate Directors' Training Programme Fundamental 3.0 + Cyber Security Awareness
Datu Haji Soedirman bin Haji Aini	- ACI Virtual Roundtable 2020 - Anti Money Laundering, Anti Terrorism Financing and Corporate Liability under MACC Act - Fraud Risk Management Workshop
Ali bin Adai	- ACI Virtual Roundtable 2020
Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired)	- ACI Virtual Roundtable 2020 - Fraud Risk Management Workshop
Chia Chu Fatt (Appointed on 5 April 2021)	- n/a

II. Board Composition

The Board is comfortable with its size and level of effectiveness. The diverse background of the 7 members on Board gives it a right mix of skills, knowledge, experience and independence to maintain the Company on a competitive edge. The profile of each of the Directors is set out in this Annual Report.

The different background of the directors allows various perspectives of any proposal put before the Board to be adequately considered thus leading to a balanced decision. Even where the discussions are on review of financial and operational information or progress reports, the diversity of expertise will make the decisions made better thought through.

As the Chairman of the Company is Executive, more than half the Board comprises of independent directors.

The Board is aware that the Code prescribes that the tenure of an independent director should not exceed a cumulative term limit of 9 years. The Company currently does not have any independent director who has served more than a cumulative term limit of 9 years.

The Board Charter stated that the tenure of an independent director may not exceed a cumulative term of 9 years. Upon completion of the 9 years, if an independent director continues to serve on the Board, it will be in the capacity of a non-independent director. If the Board intends to retain an independent director beyond 9 years, it will justify and seek annual shareholders' approval. If the Board continues to retain the independent director beyond the 12th year, it will seek shareholders' approval annually through a 2 tier voting process.

The Directors have also shown their commitment to carry out their fiduciary duties and their duty to use reasonable care, skill and diligence towards the Company in their attendance and active participations at Board Meetings throughout the year in review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

Below shows the details of the attendance of all the directors at Board Meetings held in 2020:

Name of Director	Designation	Meetings Attended	
		Number	(%)
Datuk Amar Abdul Hamed bin Sepawi	Executive Chairman	4/4	100
Dato Wong Kuo Hea	Executive Director	4/4	100
Hasmawati binti Sapawi	Non Independent Non Executive Director	4/4	100
Datu Haji Soedirman bin Haji Aini	Independent Non Executive Director	4/4	100
Ali bin Adai	Independent Non Executive Director	4/4	100
Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired)	Independent Non Executive Director	4/4	100
Chia Chu Fatt (Appointed on 5 April 2021)	Independent Non Executive Director	n/a	n/a

Members of the Board and Key Management Personnel are appointed after thorough assessment by the Remuneration and Nomination Committee through a formal and transparent process. The Remuneration and Nomination Committee will make its recommendation to the Board on the suitability of the candidates and the Board will have the final say in the appointment of the candidate.

In assessing a potential candidate, the Remuneration and Nomination Committee will take the following factors into account:

- Skills, knowledge, expertise and experience;
- Professionalism;
- Character and integrity;
- Potential to contribute to achieve the Company's goal and objectives; and
- Where candidates are to be appointed as Independent Non Executive Directors, the Remuneration and Nomination Committee will also assess the candidates' ability to discharge his/her responsibilities as required of an Independent Non Executive Director.

As a potential candidate must possess the above qualities, the Board has not established a formal policy on gender, ethnicity and age group thus far. The Board believes that the Group is not disadvantaged in any manner without this policy as it is committed to provide fair and equal opportunities to all.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

On 25 March 2021, the Board resolved that the Remuneration and Nomination Committee be separated into 2 committees, namely the Nomination Committee and Remuneration Committee. Hence with effect from 25 March 2021, the above role is performed by the Nomination Committee.

The Nomination Committee comprises exclusively of non executive directors, the majority of whom are independent. They are:

- a. Ali bin Adai (Chairman);
- b. Datu Haji Soedirman bin Haji Aini (Member);
- c. Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Member); and
- d. Hasmawati binti Sapawi (Member).

The Terms of Reference of the Nomination Committee are found on the Company's website.

In the year under review, the activities of the Nomination Committee included the following:

- a. Carried out a formal assessment of the Board's effectiveness as a whole, including that of the Chairman, the contribution of each Director and the various Board Committees;
- b. Reviewed the adequacy of the skills of the Directors such that the Board can carry out its duties effectively; and
- c. Reviewed the appointment of the new Independent Non Executive Director.

III. Remuneration

The Remuneration and Nomination Committee was established on 1 May 2007. It has in place remuneration policies which attract, maintain and retain a set of Directors and Key Management Personnel of requisite caliber to move the Company towards greater prospects and growth.

On 25 March 2021, the Board resolved that the Remuneration and Nomination Committee be separated into 2 committees, namely the Remuneration Committee and the Nomination Committee.

The Remuneration Committee comprises a majority of independent directors. They are:

- a. Ali bin Adai (Chairman);
- b. Datu Haji Soedirman bin Haji Aini (Member);
- c. Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Member); and
- d. Dato Wong Kuo Hea (Member).

The Terms of Reference of the Remuneration Committee are found on the Company's website.

In the year under review, the activities of the Remuneration Committee included the following:

- a. Reviewed the remuneration of the Executive Directors and the Key Management Personnel.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration

The details of the Company's directors' remuneration received during the year are as follows:

	Directors' fees		Meeting allowance		Salaries	Other benefits	Total
	Company RM	Subsidiaries RM	Company RM	Subsidiaries RM	Subsidiaries RM	Subsidiaries RM	
Datuk Amar Abdul Hamed Bin Sepawi (Executive Chairman)	81,750	34,000	2,500	-	402,000	33,500	553,750
Dato Wong Kuo Hea (Executive Director)	81,750	22,000	500	-	-	240,000	344,250
Hasmawati Binti Sapawi (Non Independent Non Executive Director)	81,750	-	500	-	-	-	82,250
Datu Haji Soedirman bin Haji Aini (Independent Non Executive Director)	81,750	18,000	4,000	-	-	-	103,750
Ali bin Adai (Independent Non Executive Director)	81,750	2,000	4,500	-	-	-	88,250
Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Independent Non Executive Director)	81,750	-	2,000	-	-	-	83,750
Chia Chu Fatt (Independent Non Executive Director) (Appointed on 5 April 2021)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The Company's directors' remuneration was approved by the shareholders at the 23rd Annual General Meeting of the Company held on 29 July 2020.

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PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee was established on 11 November 2000. It is chaired by an Independent Director, Datu Haji Soedirman bin Haji Aini.

The Audit Committee comprises exclusively of independent directors, namely:

- a. Datu Haji Soedirman bin Haji Aini (Chairman);
- b. Ali bin Adai (Member); and
- c. Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Member).

It is an established practice of the Audit Committee not to appoint a former audit partner or any former consultants, for that matter, who have been auditing the Company's financial statements or advising the Company, as a member of the Audit Committee or on boarded as an independent director unless a 3 years' cooling off period has been observed.

More details on the activities of the Audit Committee can be found in the Audit Committee's Report as set out in this Annual Report. The Terms of Reference of the Audit Committee are found on the Company's Website.

II. Risk Management and Internal Control Framework

The Risk Management Committee was established on 1 May 2007. It forms an integral part of the effective management of the Company and it seeks to identify and address risk areas which include business, corruption, business continuity, environment, human capital, safety, security, operation and sustainability of the Company with the aim of preventing where possible, and mitigating these risks.

The Risk Management Committee comprises 4 directors, namely:

- a. Ali bin Adai (Chairman);
- b. Datu Haji Soedirman bin Haji Aini (Member);
- c. Brigadier General Dato' Muhammad Daniel bin Abdullah (Retired) (Member); and
- d. Datuk Amar Abdul Hamed bin Sepawi (Member).

The Risk Management Committee meet twice during the year to review the Group's risk profile. It paid closer attention to risk areas like corruption and business continuity in view of the coming into force of Section 17A MACC Act and the COVID-19 pandemic which impacted business continuity and sustainability.

The Board confirms that its risk management and internal control system are operationally adequate and effective throughout the year under review and up to the date of this Annual Report.

The Terms of Reference of the Risk Management Committee are found on the Company's website. Features of the Company's risk management and internal control framework and the adequacy and effectiveness of this framework are described in the Statement on Risk Management and Internal Control as set out in this Annual Report.

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PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Recognizing the importance of keeping the investing community up to speed with the developments in the Company through effective communication, the Company chooses various forums to engage with its stakeholders. These include online discussions, announcements through Bursa Link and disclosures on the Company's website. Due to the COVID-19 pandemic, face to face discussions and estate and mill visits were suspended. These will resume when they are allowed.

Further the investing community, comprising individuals, analysts, fund managers and other stakeholders also engage with the Company's representatives on a regular basis through telephone calls or other online platforms. This enables the investors to get a balanced understanding of the main issues and concerns affecting the Company. Such discussions are restricted to matters that are already in the public domain.

Whilst the Company endeavours to provide as much information as possible to its stakeholders, it is also conscious of the legal and regulatory framework governing the release of material and price sensitive information within which it must abide.

II. Conduct of General Meetings

The Annual General Meeting is one of the various means used by the Board to disseminate information on major corporate developments and events and also a forum for open and candid discussions with the shareholders.

Ample opportunities are given to shareholders including their proxies to address their queries and concerns to the Chairman, any Directors and also the Key Management Personnel.

It has been the practice of the Company to give more than 21 days' notice to its shareholders before its Annual General Meeting is held. Since the 21st Annual General Meeting held in 2018, at least 28 days of notice had been given.

The Company's Annual General Meetings have also always been held at easily accessible venues for the convenience of the shareholders.

The Corporate Governance Overview Statement was approved by the Board of Directors on 25 March 2021.