

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0216
COMPANY NAME : Spring Art Holdings Berhad
FINANCIAL YEAR : December 31, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Spring Art Holdings is led by an experienced and dedicated Board of Directors that has put much effort in ensuring the smooth management of the Company. The Board possesses a wide range of expertise to provide the Group with both strategic and operational direction in an ultra-competitive operating environment. The Board has overall responsibility for the strategic direction of the Group. The Board meets regularly to review corporate strategies, operations and performance of business units within the Group. All Board members bring their independent judgement to bear on issues of strategy, performance, resources and standards of conduct.</p> <p>The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary duties and leadership functions. The Board has defined its Board Charter by setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as key matters reserved for the Board's approval. The Board Charter is made available on the Company's website at www.springart.com.</p> <p>In order to assist the Board in its oversight function on specific responsibility areas, the Board has established three (3) Board Committees, namely Audit and Risk Management Committee, Nomination Committee, Remuneration Committee. Governed by their respective Terms of References, the Committees report to the Board on their meeting proceedings and deliberations as well as make recommendations to the Board on the matters under their purview.</p> <p>During the financial year, the respective committees have carried out their duties and activities as announced in their respective Terms of References. The details of Terms of References for the respective committees are available for reference on the Company's website at www.springart.com.</p>

	<p>The roles of the Chairman and Managing Director (“MD”) are clearly separated and the positions were held by different individuals. This duties segregation between the Chairman and MD ensures an appropriate balance of role, responsibility and accountability at the Board level. The Chairman is responsible for providing leadership to the Board in overseeing Management and the Group’s overall strategic functions, whereas the day-to-day management of the Group’s business affairs is delegated to the MD of the Company, who is further supported by the Executive Director (“ED”) and Chief Financial Officer (“CFO”). The Board nevertheless reserves the decision-making authority on significant matters of the Group as encapsulated in the Board Charter. The Board Charter serves as an authoritative document that governs the conduct of the Board, Board Committees and individual Directors.</p> <p>The Board reviews and updates its Charter and the respective committees’ Terms of References from time to time as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board’s objectives.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

Practice 1.2

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 Chairman of the Board holds a Non-Executive position and is primarily responsible for providing leadership to the Board in overseeing Management and the Group’s overall strategic functions.</p> <p>He is committed to good corporate governance practices and to lead the Board towards high performing culture.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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>The roles of the Chairman and Managing Director (“MD”) are clearly separated and the positions were held by different individuals. This duties segregation between the Chairman and MD ensures an appropriate balance of role, responsibility and accountability at the Board level. The Chairman is responsible for providing leadership to the Board in overseeing Management and the Group’s overall strategic functions, whereas the day-to-day management of the Group’s business affairs is delegated to the MD of the Company, who is further supported by the Executive Director (“ED”) and Chief Financial Officer (“CFO”). The Board nevertheless reserves the decision-making authority on significant matters of the Group as encapsulated in the Board Charter. The Board Charter serves as an authoritative document that governs the conduct of the Board, Board Committees and individual Directors. The Board Charter is made available on the Company’s website at www.springart.com.</p> <p>The Board reviews and updates its Charter and the respective committees’ Terms of References from time to time as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board’s objectives.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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>In undertaking its duties, the Board is supported by two (2) competent and suitable qualified Company Secretaries. The Company Secretaries serve as counsels to the Board on matters relating to corporate governance. The Company Secretaries seek to ensure the Board's adherence to regulatory promulgations as well as the observance of internal policies and procedures.</p> <p>In addition to facilitating the flow of information between the Board and Management, the Company Secretaries also attend Board and Board Committee meetings whereby they are tasked to accurately record meeting proceedings and decisions taken by the Board and Board Committees.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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>The Board recognizes that the decision-making process is highly dependent on the quality of information furnished. As such, Board members have full and unrestricted access to all information pertaining to the Group’s business and affairs. Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board’s responsibilities.</p> <p>Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company’s expense, if considered necessary, in accordance with established procedures set out in the Charter in furtherance of their duties.</p> <p>Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training. The removal of the Company Secretaries is a matter for the Board, as a whole to decide.</p> <p>The Directors are also notified of any corporate announcement released to Bursa Malaysia Securities Berhad (“Bursa Securities”) and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly financial results.</p>
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary duties and leadership functions. The Board has defined its Board Charter by setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as key matters reserved for the Board's approval.</p> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.</p> <p>The Board Charter is made available on the Company's website at www.springart.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 acknowledges its role in propagating ethical standards and values across the different levels of the Group and thus, has taken the initiative to formalise a Code of Conduct. The aforementioned document serves as a reference for both Directors and employees in their day-to-day professional conduct and decision-making process.</p> <p>The Code of Conduct is an extensive document that provides guidance on matters ranging from conflict of interest situations to corruption and money-laundering. The Code of Conduct will be reviewed periodically.</p> <p>The Code of Conduct is available on the Company's website at www.springart.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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>As an additional measure to safeguard the integrity of the Group, the Board has continually adopted a Whistle-blowing Policy and Procedures to encourage employees and other stakeholders to report legitimate ethical concerns. The Group's Whistle-blowing Policy and Procedures outlines the reporting channels available to stakeholders including reporting directly to employees' immediate superior/designated recipients and via a whistle-blowing email managed by an independent third party.</p> <p>The details of the Whistle-blowing Policy are available for references on the Company's website at www.springart.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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>As at the date of this statement, the Board consists of five (5) members comprising one (1) independent Non-Executive Chairman, one (1) Managing Director, one (1) Executive Director and two (2) Independent Non-Executive Directors. The current Board composition complies with Paragraph 15.02 of AMLR that requires at least one-third (1/3) of the Board to be Independent Directors. The profile of each Director is set out on pages 10 to 14 of this Annual Report. The Directors, with their diverse backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as entrepreneurship; finance; taxation; accounting and audit; legal as well as economics.</p> <p>They possess integrity and extensive experience to provide unbiased and independent views to the Board. They constantly express their views to the Board in an effective and constructive manner and therefore are able to function as check and balance and bring in unbiased and independent views and advices to the Board. The Board recognises the value of having a majority Independent Directors on the Board in promoting objectivity during boardroom deliberations and impartiality in the decision-making process.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	:	Adopted
Explanation on adoption of the practice	:	<p>The Board has implemented a nine-year policy for Independent Non-Executive Directors. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In the event such Director was to be retained as an Independent Director, the Board would have to justify in the notice convening the AGM and seek shareholders' approval the retention of such Independent Director at every AGM.</p> <p>The Board should seek annual shareholders' approval through a two-tier voting process if the retention of such Independent Director was after the twelfth (12) year.</p>

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	Appointment of Board and Senior Management is based on objective criteria, merit and besides gender diversity, due regard is placed for diversity in skills, experience, age and cultural background.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Insofar as board diversity is concerned, the Board does not have any specific policy on targets for female candidates in the Group. The Board believes that the on-boarding process of Directors should not be based on any gender discrimination. As such, the evaluation of suitable candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, as the case may be.	
		The Board currently has 20% female representation.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 Nomination Committee (“NC”) is guided by the Terms of Reference in carrying out its responsibilities in respect of the nomination, selection and appointment process, which also provides the requirements under the relevant laws and regulations on the matter.</p> <p>Since the screening and evaluation process for potential candidates to be nominated as Directors are delegated to the NC, the process involves the NC’s consideration and submission to the Board its recommendation of suitable candidates for the proposed appointment as Directors of the Company.</p> <p>The NC may also obtain and rely upon independent sources such as a directors’ registry, open advertisement or use of independent search firms in furtherance of their duties at the Company’s expense, subject to approval by the Chairman or the Board, depending on the quantum of the fees involved. If the selection of candidates was solely based on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the NC will explain why other sources were not used.</p> <p>The NC’s review of the criteria to be used in the appointment process to the Board of Directors largely focuses on ensuring a good mix of skills, experience and strength in the qualities that are relevant for the Board to discharge its responsibilities in an effective and competent manner. The other factors considered by the NC in its review include the candidates’ ability to spend sufficient time and commitment on the Company’s matters, the ability to satisfy the test of independence taking into account the candidate’s character, integrity and professionalism, as well as having a balanced mix of age and diversity of Directors on the Board.</p> <p>The Board diversity factor as reviewed by the NC includes experience, skills, competence, race, gender, culture and nationality, to facilitate optimal decision-making by harnessing different insights and perspectives.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 Nomination Committee (“NC”) was established by the Board on 20th November 2018, as the Board recognises the importance of the role the Nomination Committee plays not only in the selection and assessment of Directors but also in other aspects of CG of which NC can assist the Board to discharge its fiduciary and leadership functions. The NC comprises exclusively of three (3) Non-Executive Directors, with a majority of them being Independent Directors.</p> <p>The primary function of the NC is to assist the Board in identifying and recommending candidates for directorships of the Company along with the membership of the Board’s various committees. The NC also undertakes in assessing on annual basis, the effectiveness of the Board as a whole, the committees of the Board, the contribution of each individual Director and also the independence of the Independent Directors.</p> <p>The NC has carried out their duties annunciated in its Terms of Reference, which is published on the Company’s website and undertaken the following activities:</p> <ul style="list-style-type: none">• Formulated the nomination, selection and succession policies for the members of the Board and Senior Management;• Made recommendations to the Board on re-election of Directors to the Board;• Reviewed the required mix of skills, experience and other qualities of the Board as well as boardroom diversity;• Conducted annual assessment of its members and other Board Committees established by the Board;• Established a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board:• Assessed the independence of Independent Directors;• Reviewed the Directors’ continuing education programmes.

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 Board's effectiveness is assessed in the following key areas of composition, administration and process, accountability and responsibility, Board conduct, communication and relationship with Management, performance as well as the application of good governance principles to create sustainable shareholder's value.</p> <p>The Nomination Committee ("NC") will carry out the annual assessment exercise on performance and effectiveness of the Board and the Board Committees annually and the Company Secretaries will facilitate the NC in carrying out the annual assessment exercise.</p> <p>The evaluation and annual assessment exercise will be extensively conducted via the Board members' self and peer evaluation form, Independent Directors' evaluation form, Board and Board committee evaluation form (Collectively referred to as "Questionnaires").</p> <p>The Board, through the Questionnaires and recommendation from the NC, will examine the Board Committees, including their respective Chairman, to ascertain whether their functions and duties are effectively discharged in accordance with their respective Terms of Reference.</p> <p>As a post-evaluation process, the Company Secretaries summarised the results of evaluation and reported to each Board and Board Committee member by providing with individual results on each area of assessment. Thus, allowing the Directors to know their standing and the Board to take actions on the outcome of evaluation by recommending remedial measures on areas that need improvements, if any.</p>

	<p>From the annual assessment and review conducted, the NC was satisfied that all the Executive, Non-Executive and Independent Directors on the Board possess sufficient qualification to remain on the Board. Save for the NC members who are also a member of the Board and have abstained from assessing their own individual performance as Director of the Company, each of the NC Members viewed that all the Directors have good personal attributes and possess sufficient experience and knowledge in various fields that are vital to the Company's industry.</p> <p>As for the Board evaluation, the NC agreed that all the Directors have discharged their stewardship duties and responsibilities towards the Company as a Director effectively.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Such remuneration policy is not made available on the Company's corporate website as the Board is of the view that the confidentiality and sensitivity of the features of the Company's remuneration structure which are in supportive of the strategies and long-term vision of the Company will be able to safeguard accordingly.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 Remuneration Committee ("RC") was established by the Board on 20th November 2018 to assist the Board in the adoption of fair remuneration practices to attract, retain and motivate Executive Directors. The RC composition is comprising exclusively of three (3) Independent Non-Executive Directors. During the financial year, the RC has carried out their duties and activities as announced in its Terms of Reference which is made available on the Company's website.</p> <p>The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the Board Committees. Hence, the Board has established formal and transparent remuneration policies for the Board and Board Committees, and the procedures in determining the same. The RC reviews the Board remuneration policy annually and in the course of deliberating on the remuneration policy, it considers various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of Non-Executive Directors and Board Committee members, the Company's performance and market conditions. The Remuneration Committee also takes into consideration the remuneration of Directors of other public listed companies ("PLCs") in order to ensure competitive remuneration policies that reflect the prevailing market rate.</p> <p>The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board. Disclosure of each Director's remuneration, including that of the MD, is set out in the annual audited financial statements of the Annual Report.</p>
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 details of the Directors' remuneration on a named basis and paid by the Company and its subsidiaries (including the components of directors' fees, salary, bonus, benefits in-kind and other emoluments) during the financial year ended 31 December 2020 are disclosed in the Corporate Governance Overview Statement of the Company's 2020 Annual Report.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	No disclosure of the top five Key Senior Management's remuneration component on named basis is made herein due to confidentiality and sensitivity of each remuneration package.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 7.3 - 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 adoption 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 independence of the Audit and Risk Management Committee (“ARMC”) enables it to exercise robust and impartial oversight combined with a healthy degree of professional skepticism over the Group’s financial reporting and audit processes. The Chairman of the ARMC is distinct from the Chairman of the Board so as to promote unfettered objectivity during the Board’s review of the ARMC’s findings and recommendations. The present composition of the ARMC allows it to possess the requisite level of financial literacy and business acumen to have a sound understanding of the financial matters of the Group as well as an understanding of the latest developments in financial reporting, accounting and auditing standards.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	<p>The Audit and Risk Management Committee (“ARMC”) has adopted a 2-year cooling-off period policy for a candidate whom is a former audit partner before being appointed as a member of the ARMC.</p> <p>However, the said policy currently does not apply to the ARMC given none of the ARMC nor Board members is a former audit partner as at the date of the Corporate Governance Overview Statement.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 has put in place a Policy on External Auditors to facilitate a formal and transparent relationship with the external auditors. The Policy on External Auditors governs the selection, appointment and assessment of the external auditors as well as the provision of non-audit services by the external audit firm, amongst others. The Audit and Risk Management Committee (“ARMC”) has unbridled access to both the internal and external auditors, who in turn report directly to the ARMC on their activities, findings and recommendations. For the FYE 2019, the external auditors have provided written assurance to the Board that its personnel are and have been independent throughout the conduct of their audit, in accordance to the terms of relevant professional and regulatory requirements.</p> <p>Full details of the ARMC’s duties and responsibilities are stated in its Terms of Reference which is made available on the Company’s website at www.springart.com and detailed disclosure on the role and activities undertaken by the ARMC during the financial year is provided in the Audit and Risk Management Committee Report on page 39 to page 42 of the Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	Adopted
Explanation on adoption of the practice	:	<p>The Audit Risk Management Committee ("ARMC") was established on 20th November 2018 by the Board as the prime body to ensure a high standard of corporate responsibility, integrity and accountability to shareholders.</p> <p>The ARMC comprises 3 Non-Executive Directors of whom all are Independent Directors. On the composition, please refer to the Corporate Information of the Annual Report on page 5.</p> <p>The principal objective of the ARMC is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the ARMC shall also oversee compliance with laws and regulations and observance of a proper code of conduct.</p>

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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 Audit and Risk Management Committee (“ARMC”) is formally constituted with written terms of reference. All members of the ARMC have a certain year of working experiences with basic finance and accounting practices, and one of its members i.e. Mr Law Sang Thiam, is a member of the Malaysian Institute of Accountants.</p> <p>The Board, through the Nomination Committee (“NC”) also oversees the training needs of its Directors. Directors are regularly updated on the Group’s businesses and the competitive and regulatory environment in which they operate. Directors, newly appointed, are encouraged to visit the Group’s operating centres to have an insight on the operations which would assist the Board to make effective decisions.</p> <p>Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfill their duties as Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is updated on the Group’s internal controls system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis. On-going reviews are performed throughout the year on a quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Company’s Management Team as well as the Group’s independent and sufficiently resourced internal audit function. The findings of the internal audit function are regularly reported to the Audit and Risk Management Committee (“ARMC”).</p> <p>Details of the main features of the Company’s risk management and internal controls framework are further elaborated in the Audit and Risk Management Committee Report and the Statement on Risk Management and Internal Control of this Annual Report on pages 39 to 42 and pages 43 to 45 respectively.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 responsibilities of identifying and managing risks are delegated to the Head of Department. The Audit and Risk Management Committee (“ARMC”) is responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.</p> <p>The ARMC will assist the Board in implementing and overseeing the risk management framework of the Group and reviewing the risk management policies formulated by Management and to make relevant recommendations to the Board for approval.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	:	Not Adopted
Explanation on adoption of the practice	:	

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 Board of Directors has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility to the Audit and Risk Management Committee ("ARMC") for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.</p> <p>On-going reviews will be performed by ARMC throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The Company also outsources the internal audit function to an independent assurance provider ("Internal Auditors") to provide an independent appraisal over the system of internal control of the Group to the ARMC.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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>To ensure that the responsibilities of internal auditors are fully discharged, the Audit and Risk Management Committee (“ARMC”) shall review the adequacy of the scope, functions and resources of the internal audit function as well as the competency i.e. qualification and experience of the internal auditors on a yearly basis.</p> <p>The internal auditors, NGL Tricor Governance Sdn Bhd which are led by Mr Chang Ming Chew (CIA (USA), CMIIA, CCA(UK)). The internal auditors carry out the internal audit reviews independently in accordance with a recognised framework. Prior to the commencement of internal audit assignments, the internal auditors also seek written assurance from those involved, confirming that they do not have any relationships or conflict of interest with the Company, which could impair their independence and objectivity throughout the conduct of the audit engagement.</p> <p>The internal auditors provide such declaration in their annual audit plan presented to the ARMC prior to the commencement of internal audit assignment for the ensuing year. Premised on such declaration, feedback from the Management Team as well as performance assessment conducted by the ARMC, the ARMC considers on whether to continuously outsource the internal audit function to internal auditors in providing an independent appraisal on the adequacy, efficiency and effectiveness of the Group’s internal control system.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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>The Board recognises the importance of an effective communication channel between the Board, shareholders and general public, and at the same time, full compliance with the disclosure requirements as set out in the AMLR. The annual reports, press releases, quarterly results, Annual Audited Financial Statements and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.</p> <p>The Managing Director is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board. The Group maintains a corporate website: www.springart.com for shareholders and the public to access information on, amongst others, the Group's background and products, financial performance, Frequently-Asked Questions (FAQs) and updates on its various sponsorships and promotions. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the Group's corporate website. The corporate website will also post all press releases made by the Group together with latest news on the Group and the industry.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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	:	Applied	
Explanation on application of the practice	:	The Company has provided concise information in relation to its strategy, performance, governance and prospects through the Management Discussion and Analysis Statement and the statement of Corporate Sustainability Statement in the Annual Report on page 16 to 22 and page 23 to 25 respectively. This is to ensure that the stakeholders are well informed of the business and performance of the Company and to promote transparency and accountability of the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	:	The Company dispatched its Notice of Annual General Meeting (“AGM”) to shareholders at least twenty-eight days before the AGM and will continue to do so for the forthcoming AGMs.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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>All the Directors shall endeavor to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the AGM.</p> <p>The AGM represents the principal forum for dialogue and interaction with shareholders. At every AGM, the Board sets out the progress and performance of the Group since the last meeting held. Shareholders are encouraged to participate in the subsequent Question & Answer (“Q&A”) session wherein the Directors, Company Secretaries, Head of Department as well as the Group’s external auditors are available to respond to the queries raised.</p> <p>In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder. Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution.</p> <p>Before the commencement of AGM, the Directors and Management will join the shareholders together with a dedicated team of employees to assist the shareholders on the queries they may have.</p> <p>The Chairman will also share the Company’s responses to questions posed by the Minority Shareholders Watchdog Group, if any before engaging the shareholders on Q&A session.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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—

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

Application	:	Applied
Explanation on application of the practice	:	The Company will always make sure that its general meeting is to be held at an accessible location but not in remote areas in order to encourage shareholders to attend and participate in the meeting. Having considered that the shareholder base of the Company is not that large, the Board is of the view that there is no immediate need for the Company to leverage on technology to facilitate electronic poll voting and remote shareholder participation at this juncture of time.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will consider leveraging on technology to facilitate voting in absentia from time to time, to more fairly reflect shareholders’ views and to ensure accurate and efficient outcomes of the voting process.
Timeframe	:	

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

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

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