

# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

The Board of Directors ("Board") of Rimbunan Sawit Berhad ("RSB" or "the Company") recognises Corporate Governance as being vital and important to the success of RSB and its Group of Companies ("Group") business. They are unreservedly committed to applying the principles necessary to ensure that the principles of good governance are practised in all of its business dealings in respect of its shareholders and relevant stakeholders.

This Corporate Governance Statement sets out how the Company has applied the eight (8) principles as outlined in the Malaysian Code of Corporate Governance 2012 ("Code") and observed the 26 Recommendations supporting the Principles in respect of the financial year ended 31 December 2016. Where a specific Recommendation of the Code has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

### 1. Establish clear roles and responsibilities of the Board and Management

All Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect, and on behalf of the Company.

The Board has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- (a) reviewing and adopting a strategic plan for the Company, including the sustainability of the Group's businesses;
- (b) overseeing the conduct of the Group's businesses and assessing whether the businesses are being properly managed;
- (c) identifying principal business risks of all aspects of the Group's business and ensure the implementation of appropriate internal controls system and mitigating measures to effectively monitor and manage the risks;
- (d) ensuring that all candidates appointed to senior management positions are of sufficient caliber and there are programmes in place to provide for the orderly succession of senior management;
- (e) overseeing the development and implementation of a shareholder communications policy; and
- (f) reviewing the adequacy and the integrity of the management information and internal control systems of the Group.

It has put in place an annual strategy planning process, whereby Management presents to the Board its recommended strategy and proposed business and regulatory plans together with the annual budget for the following year during the Board meeting. At the meeting, the Board reviews and deliberates upon both Management's and its own perspectives, as well as challenges Management's views and assumptions, to deliver the best outcomes.

The Chief Executive Officer ("CEO") is responsible for the day-to-day management of the business and operations of the Group with respect to both its regulatory and commercial functions. He is supported by the Management Committee and senior management team. The CEO reports to the Board on the Group performance and operational matters at each quarterly Board meeting. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance.

Through the Risk Management Committee ("RMC"), the Board oversees the management framework of the Group. The RMC advises the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organisation.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

In discharging the Board responsibilities on succession planning, the Nomination Committee is responsible for reviewing candidate for key management position. The Board has adopted a succession plan and will review the said plan from time to time.

The Company has put in place electronic forum to enable communication with shareholders via its website and carry out its investor relations activities.

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details of the Company's internal control system and its effectiveness are available in the Statement on Risk Management and Internal Control as outlined on pages 38 to 39 of this annual report.

To assist in the discharge of its responsibilities and facilitating its ongoing oversight of the Group, the Board has established Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

## **(i) Board Charter**

To enhance accountability, the Board has established clear functions reserved for the Board and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Generally, key matters reserved for the Board include, inter-alia, the approval of annual budgets and strategic plan, quarterly and annual financial statements for announcement, major investment and divestiture, monitoring of the Group's financial and operating performance, including internal control systems, risk management and overseeing of policies. Such delineation of roles is clearly set out in the Board Charter ("the Charter"), which serves as a reference point for Board activities. The Charter provides guidance for Directors and Management regarding the roles and responsibilities of the Board, Chairman, its Committees and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities. The Charter is made available on the Company's website [www.rsb.com.my](http://www.rsb.com.my) to be in line with Recommendation 1.7 of the Code and will be periodically reviewed and updated to ensure it remains consistent with the Board's objective and responsibilities.

The Board is committed to conducting its business in accordance with the upmost standards of business ethics and complying with the law, rules and regulations. The Directors are mindful that a strong business ethics and effective and efficient monitoring system will promote an ethical corporate climate in fostering an excellent culture of corporate governance. The Board is guided by the Directors' Code of Conduct in discharging its oversight role effectively. The Code of Conduct requires all Directors to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. This Code of Conduct is also made available on the Company's website.

The Board also encourages its employees and associates to raise genuine concerns about possible improprieties in matters of financial reporting, compliance, suspected violations of the Group's Code of Conduct and to disclose any improper conduct or other malpractices within the Group in an appropriate way.

The Whistleblowing Policy adopted by the Company provides and facilitates a mechanism for any employee and associate to report concerns about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse. Whistleblower may also approach the Senior Independent Director for any issue of their concerned.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

The CEO is the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions. The CEO implements the policies, strategies and decisions adopted by the Board. The CEO reports to the Board on the Group performance and operational matters at the Board meeting. All Board authorities conferred on the Management is delegated through the CEO and the Executive Director and this will be considered as their authorities and accountabilities as far as the Board is concerned.

## **(ii) Sustainability of Business**

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. The Group also embraces sustainability in its operations and supply chain, through its own actions as well as in partnership with its stakeholders, including suppliers, customers and other organizations. Company's strategies on promoting sustainability has been formulated and documented.

The Group's activities to promote sustainability during the financial year under review are also disclosed on pages 19 to 23 of this annual report.

## **(iii) Access to Information and Advice**

Procedures to allow Directors to access to information and advice is in place. 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.

All Directors are provided with the performance and progress reports on a timely basis prior to the scheduled 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 as set out in the Board Charter in furtherance of their duties.

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.

## **(iv) Company Secretaries**

Both Company Secretaries of the Company are qualified secretaries as required pursuant to Section 235(2) of the Companies Act 2016 and are the members of the Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA). They are competent in carrying out their work and plays supporting and advisory roles to the Board and the Group on issue relating to compliance with laws and requirements as well as the Code of Corporate Governance. They ensure adherence and compliance to the procedures and regulatory requirements from time to time. They also ensure that meetings are properly convened and deliberations at meetings are accurately and sufficiently captured and minuted, minutes and statutory records are properly kept and updated. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their duties and functions.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 2. Strengthen Composition of the Board

During the financial year ended 31 December 2016, the Board has seven (7) members, comprising two (2) Independent Directors, three (3) Non-Independent Non-Executive Directors, one (1) Executive Director and one (1) Director/CEO.

Together, the Directors have a wide range of experience in relevant fields required to successfully direct and supervise the RSB Group's business activities. The current mix of skills and experiences are vital for the effectiveness of the Board and the success of the Group. The profiles of each Director are presented on pages 14 to 18 of this annual report.

The following Board Committees have been established to assist the Board in discharging its duties:

### i) Audit Committee

The Audit Committee, formed on 2 March 2006, reviews issues of accounting policy and presentation for external financial reporting, assess the suitability and independence of external auditors, monitors the work of the in-house internal auditors, ensures that an objective and professional relationship is maintained with the external auditors, and that conflicts of interests are avoided.

Further details on the composition and summary of works of the Audit Committee can be found in the Report of the Audit Committee as set out on pages 40 to 42 of this annual report.

### ii) Nomination Committee

The Board has on 7 April 2006 set up a Nomination Committee. The members of the Nomination Committee, all of whom are non-executive Directors and a majority of whom are independent, are as follows:

<b>Chairman</b>	:	Bong Wei Leong (Senior Independent Director)
<b>Members</b>	:	Tiong Kiong King (Non-Independent Non-Executive Vice Chairman)
		Tiong Ing Ming (Independent Director)

The terms of reference of the Nomination Committee is available on the company's website at [www.rsb.com.my](http://www.rsb.com.my).

The Board has yet to adopt gender and workforce diversity policies and targets. However, the company will promote corporate culture that embraces diversity when determining composition of Board and employees at all level from diverse pool of qualified candidate. The Board will continue to monitor and review the Board size and composition from time to time and ensure that women candidates are sought in the recruitment exercise. The evaluation of candidates' suitability is solely based on their competency, appropriate skill, character, time commitment, integrity, contribution and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Directors, as the case may be.

The Nomination Committee will recommend candidates for all directorships to be filled to the Board which involves selection and assessment of candidates for directorships proposed by the CEO and within the bounds of practicality, by any other senior executive or any director or shareholder, interviewing or meeting up with candidates, deliberation by the Nomination Committee and recommendations by the Nomination Committee to the Board.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Nomination Committee has developed criteria for use in the recruitment and annual assessment of Directors. In reviewing and recommending to the Board any new Director appointments, the Nomination Committee considers:

- (a) the candidate's independence, in the case of the appointment of an Independent Director;
- (b) the composition requirements for the Board and Committees (if the candidate is proposed to be appointed to any of the Board Committees);
- (c) the candidate's age, credentials, skills, knowledge, expertise, experience, professionalism, integrity, capabilities and such other relevant factors as may be determined by the Nomination Committee which would contribute to the Board's collective skills; and
- (d) any competing time commitments, if the candidate has multiple board representations.

The new Directors will undergo an induction programme, which includes vision and mission of the Company, corporate strategy, visits to the RSB Group's business, and meetings with Senior Management, as appropriate, to facilitate the new Directors' understanding of the RSB Group. The Company Secretaries will ensure that all appointments of new Director are properly carried out and all legal and regulatory obligations are met.

The Board through the Nomination Committee conducted an annual assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self-assessment and peer approach. From the results of the assessment, including the mix of skills, experience and other qualities possessed by Directors, the Board considered and approved the recommendations made by the Nomination Committee on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting. The Nomination Committee shall assess the independence of all Independent Directors annually and report to the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions shall be properly documented.

In evaluating the suitability of candidates, the Nomination Committee considers, inter-alia, the competency, experience, commitment (including time commitment), contribution and integrity of the candidates, and additionally in the case of candidates proposed for appointment as Independent Directors, the candidates' independence.

During the financial year ended 31 December 2016, the Nomination Committee upon its annual review carried out, is satisfied that the size and composition of the Board is optimum and conducive to effective discussion and decision making. There is appropriate mix of skills, experience and core competencies in the composition of the Board and that the Board has an appropriate number of Independent Directors. The Nomination Committee is also satisfied that all the members of the Board are suitably qualified to hold their positions as Directors of the Company in view of their respective academic and professional qualifications, good character, experience, integrity, core competencies and qualities as well as their time devoted and committed to discharge their roles.

The Nomination Committee recognizes the importance of the roles the Nomination Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance which the Nomination Committee can assist the Board to discharge its fiduciary and leadership functions.

During the financial year ended 31 December 2016, the Nomination Committee has met once.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## iii) Remuneration Committee

The Remuneration Committee was established on 7 April 2006 and is principally responsible for setting the remuneration structure and policy for Executive Directors and recommending to the Board the remuneration of Directors so as to ensure that the Company is able to attract and retain its Directors needed to run the Group successfully. The components of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Independent Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Independent Director concerned.

The members of the Remuneration Committee, the majority of whom are non-executive, are as follows:

<b>Chairman</b>	:	Tiong Kiong King (Non-Independent Non-Executive Vice Chairman)
<b>Members</b>	:	Tiong Chiong le (Non-Independent Non-Executive Director) Bong Wei Leong (Independent Director)

The Board has adopted the Directors' Remuneration Policies and Procedures, summarised as follows:

- The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.
- The level of remuneration for the CEO and Executive Directors are determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies.
- No Director other than the CEO and Executive Directors shall have a service contract with the Company.

The Remuneration Committee has met once during the financial year ended 31 December 2016.

RSB recognises the need to ensure that remuneration of Directors is appreciative and reflective of the responsibility and commitment that goes with Board membership. The Remuneration Committee recommends to the Board the remuneration package of the Directors. The fees for Non-Executive Directors are determined by the Board as a whole. Each individual Director abstained from the Board discussion and decision on his own remuneration. The remuneration package is determined in accordance to fair and equitable criteria based on the performance of the Directors and the Directors' Remuneration Policies and Procedures.

The Board is of the opinion that matters pertaining to Directors' remuneration are of a personal nature. However, in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirement"), the remuneration of RSB's Directors for the financial year ended 31 December 2016, in aggregate and analysed into bands of RM50,000, were as follows:

Company	Executive Directors (RM)	Non-Executive Directors (RM)
Fee	55,000	301,000
Salary	120,000	-
Bonus	30,000	-
Other Emoluments	2,000	9,000

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

Group	Executive Directors (RM)	Non-Executive Directors (RM)
Fee	86,300	399,200
Salary	678,742	-
Bonus	136,000	-
Defined contribution retirement plan	44,160	9,000
Other Emoluments	2,000	249,000
Benefit in kind	19,538	23,950

  

	Executive Directors (No.)	Non-Executive Directors (No.)
RM550,001 to RM600,000	1	-
RM400,001 to RM450,000	-	1
RM350,001 to RM400,000	1	-
RM100,001 to RM150,000	-	1
RM50,000 and below	-	3

#### iv) Risk Management Committee

The Risk Management Committee assists the Board in fulfilling its corporate governance responsibilities by monitoring, managing and mitigating the risks associated with the RSB Group's business with a view to the long term viability of the RSB Group.

The composition of the Risk Management Committee is as follows:

<b>Chairman</b>	:	Dato' Jin Kee Mou
<b>Members</b>	:	Ling Tong Ung Chiong Chung Hiang Tiong Hock Yiok Sia Chik Foo

The main features of the risk management framework are as follows:

- To identify and manage the principal risks relating to the objectives. Risks are defined as any event that can impede RSB's ability to achieve its objectives;
- To decide on how to deal with the risks identified, whether to accept, reduce, avoid or transfer the risk;
- To enforce and monitor closely all the control measures to ensure compliance by the respective estate management;
- To conduct periodic review of the progress and communicate material risks to the Board via the Audit and Risk Management Committees;
- To maximize yield per hectare;
- To improve production cost efficiencies;
- To ensure that human resource are trained, disciplined and dedicated;
- To ensure compliance of provisions under Occupational, Health & Safety Act/Pesticide Acts as well as Department of Environment requirements; and
- To manage fraud risk.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

### 3. Reinforce Independence of the Board

The Board recognises the importance of ensuring a balance of power and authority between the Chairman and the CEO with a clear division of responsibility between the running of the Board and the Company's business respectively. The positions of Chairman (i.e. Non-Executive Chairman) and CEO are separated and clearly defined. This ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.

The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.

For the financial year ended 31 December 2016, the positions of Chairman and CEO of the Company are held by Non-Independent Non-Executive Chairman and CEO respectively. Their roles and responsibilities are set out in the Board Charter. Currently, the Chairman is a Non-Independent Non-Executive Director while majority of the Board members are not independent directors. However, the Board believes that the interests of shareholders are best served by the Chairman who is sanctioned by shareholders and who will act in the best interests of shareholders as a whole.

The Chairman leads the Board and is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. As to the CEO, supported by Executive Director, he implements the Group's strategies, policies and decision adopted by the Board, oversees the operations and business development of the Group, provides effective leadership and ensure high management competency.

The Independent Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the communities in which the Group conducts its business. Independent Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

All the Independent Directors fulfil the criteria of independence as defined in the Listing Requirements and the Board Charter. The Board through the Nomination Committee has assessed the Independent Director and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to retain as an Independent Director, the Board shall first justify and obtain shareholders' approval. Our Independent Directors, Mr. Bong Wei Leong and Mr. Tiong Ing Ming have served as Independent Directors of the Company for a consecutive term of more than nine (9) years. However, the Board concurred that their independence as Independent Directors have not been compromised in any way based on the following justifications and recommendation from the Nomination Committee:

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

- (a) They fulfilled the criteria as Independent Director as stipulated in the Listing Requirements and therefore are able to offer impartial judgement and advice to the Board;
- (b) They remain independent and vocal, actively participated in deliberations and exercised independent judgement at Board and Board Committee meetings without compromising operational consideration. Hence, provide a check and balance to operational management; and
- (c) They continue to exercise independent and objective judgement in carrying out their duties as Independent Directors and they provide guidance, unbiased and independent views to many aspects of the Company and the Group's strategy so as to safeguard the interests of minority shareholders. Their long tenure as Independent Directors have no conflict of interest or undue influence from management and interested parties.

Having considered the above, the Board had recommended both Mr. Bong Wei Leong and Mr. Tiong Ing Ming to be retained as Independent Directors of the Company and such proposal shall be tabled for shareholders' approval at the forthcoming Annual General Meeting.

## 4. Foster Commitment of Directors

### i) Time commitment and meetings

The Directors shall devote sufficient time and efforts to carry out their responsibilities. The Board shall obtain this commitment from Directors at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

The Board acknowledges that its Directors may be invited to become directors of other companies and that exposure to other organisation can broaden the experience and knowledge of its Directors which may bring benefits to the Group. Directors are therefore at liberty to accept other board appointments so long as such appointments are not in conflict with the business of the Group and do not adversely affect the Directors' performance and contributions as a member of the Board.

Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company.

Any Director shall notify the Chairman before accepting any new directorship and the notification shall include the indication of time that will be spent on the new appointment.

Thus far, the Board is satisfied with the level of time commitment given by all the Directors in fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by their attendance at the meetings of the Board and the Board Committees. All the Directors hold less than five (5) directorships in the listed issuers.

The Board ordinarily meets at least four (4) times a year, scheduled well in advance to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committees papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committees members at least seven (7) days before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

During the financial year under review, the Board convened five (5) scheduled Board meetings and the details of attendance of each Director are set out in the "Other Information on Directors" section of this Annual Report on page 18.

All proceedings, matters arising, deliberations in terms of the issue discussed, and recommendations made by the Board Committees at the committees' meetings are recorded in the minutes by the Company Secretaries, confirmed by the Board Committees and signed by the Chairmen of the said committees. All committees' meetings were attended by the Company Secretaries. Upon invitation, Management representatives were present at the Board Committees' meetings to provide additional insight into matters to be discussed during the said committee meetings, if so required.

## ii) Directors' Training

All the Directors have attended the Mandatory Accreditation Programme as required by Bursa Securities after the Company is listed on the Main Market of Bursa Securities on 28 June 2006.

The Board acknowledges that continuous training and education are vital for the Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. Directors are encouraged to attend continuous education programmes to further enhance their skills and knowledge, where relevant. A budget for Directors' continuing education is therefore provided each year by the Company.

There were also technical briefings/updates on statutory and regulatory requirements from time to time at the Board meetings by the Company Secretaries. All Directors will continue to attend relevant training as may be required from time to time to equip themselves with the knowledge to discharge their duties more effectively and to keep abreast with regulatory and corporate governance developments in the marketplace.

The Board has assessed the training needs of the Directors. Generally, all Directors must attend at least one (1) training/seminar each year. During the financial year ended 31 December 2016, the Directors have attended appropriate training programmes conducted by external experts and the descriptions of the training/seminar are set out below:

Title of training/seminar	Number of day(s) spent
Risk and Risk Management	1
Environmental, Social and Governance (ESG) Reporting	1
The First China - Asean Entrepreneurs Forum	2
Addressing the Manpower Needs of the Oil Palm Industry in Sarawak 2016	1
KPI Training	1
NATSEM 2016 – Factors impacting the competitiveness of the Palm Oil Industry	2
15th International PEAT Congress 2016	5
2017 Budget and Tax Conference	1
GST accounting for Property Developers & Construction Industry	1
GST for Property Developers - Latest Developments & Practical Issues	1
National Tax Conference 2016	2
Budget 2017: Income Tax, RPGT, GST Updates and Tax Planning	2
Mastering GST Audit - A Comprehensive Guide to Preparing for GST Audits & GST Tax Risks Management	1
Adaptive Strategies To Gain Competitive Advantage During Tough Times	1
Leadership Excellence from The Chair	1
Risk Management & Internal Control: Workshop for Audit Committee Members	1

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Company Secretaries circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board on these updates, where applicable. The Financial Controller and External Auditors also briefed the Board members on any changes to the Financial Reporting Standards that affect the Group's financial statements during the financial year under review.

## 5. Uphold integrity in financial reporting by the Company

It is the Board's commitment to present a clear and balanced assessment of the Group's financial performance and future prospects at the end of each reporting period and financial year, primarily through announcement of the Group's quarterly results to Bursa Securities, the annual financial statements of the Group and of the Company as well as the review of the Group's operations and performance in the Annual Report, where relevant.

The Board is responsible for ensuring that the financial statements are prepared in accordance with the approved accounting standards to give a true and fair view of the state of affairs of the Group and of the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

To assist in its discharge of its duties on financial reporting, the Board has established an Audit Committee, comprising exclusively Non-Executive Directors, the majority of whom are independent, with Mr. Bong Wei Leong as the Audit Committee Chairman.

The Board has also adopted an External Auditors Policy for the Audit Committee to assess the suitability and independence of external auditors. The External Auditors Policy has outlined the criteria and procedures for the engagement, assessment and monitoring of external auditors. The Audit Committee is responsible for reviewing, assessing and monitoring the performance, suitability and independence of the external auditors, on an annual basis.

Audit and non-audit fees paid or payable by the Group and the Company to the External Auditors or a firm or corporation affiliated to the auditors' firm during the financial year ended 31 December 2016 are set out below:

	Group (RM)	Company (RM)
Statutory audit fees		
- Crowe Horwath	298,000	50,000
- Philip Tong & Co	36,000	-
<b>Total (a)</b>	<b>334,000</b>	<b>50,000</b>
Non-audit fees		
- Crowe Horwath	42,758	39,000
- Crowe Horwath (Sarawak) Tax Sdn Bhd	55,400	6,700
- Tomax Tax Services Sdn Bhd	8,750	-
<b>Total (b)</b>	<b>106,908</b>	<b>45,700</b>
<b>% of non-audit fees (b/a)</b>	<b>32.0%</b>	<b>91.4%</b>

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

The nature of the non-audit fees incurred by the company are services rendered for reviewing quarterly report, risk management and internal control statement and disclosure of realised and unrealised profit/loss statement.

In considering the nature and scope of non-audit fees, the Audit Committee was satisfied that they were not likely to create any conflict or impair the Auditors' independence, objective and judgment.

The external auditors have confirmed and assured in writing of their independence to the Audit Committee. The Audit Committee had assessed the suitability and independence of the external auditors based on the External Auditors Policy and considered several factors including adequacy of experience, resources of the firm and independence of the external auditors. AC is satisfied with the external auditors' performance, technical competency, independence and fulfillment of criteria as outlined in the External Auditors Policy. The Audit Committee recommended the re-appointment of Messrs. Crowe Horwath as external auditors for the ensuing year. The Board approved the recommendation made by Audit Committee for shareholders' approval at the forthcoming annual general meeting.

During the financial year under review, the Audit Committee met with the External Auditor twice (2) without the presence of the other Directors and employees of the Group.

## 6. Recognise and manage risks of the Group

The Board acknowledges its responsibility for the RSB Group's system of risk management and internal control, which is designed to identify, evaluate and manage the risks of the businesses of the RSB Group, in pursuit of its objectives. In addition, the system of internal control practised by the RSB Group spans over financial, operational and compliance aspects, particularly to safeguard the RSB Group's assets and hence shareholders' investments. The system of internal control, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The main features of risk management framework are disclosed on page 30 of this annual report.

In executing the responsibility for the internal control system, the Board via the internal auditors and Risk Management Committee, has adopted procedures to monitor the ongoing adequacy and integrity of the system of risk management and internal control. The effectiveness of the RSB Group's system of risk management and internal control is reviewed on a regular basis by the Internal Auditors and Risk Management Committee.

Further details on the state of the risk management and system of internal control of the RSB Group are presented on pages 38 to 39 of this annual report.

RSB has its in-house internal audit function which is independent of the activities its audit. The Internal Audit Manager report directly to the Audit Committee. Further details of the internal audit function are outlined on page 42 of this annual report.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 7. Ensure timely and high quality disclosure

### i) Corporate Disclosure Policy and Procedures

The Board is committed to ensuring that communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulator is in accordance with applicable legal and regulatory requirements.

The Company announces its quarterly and full year results within the mandatory period. The financial statements and, where necessary other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released via Bursa LINK on a timely basis to ensure effective dissemination of information relating to the Group.

The Board places importance in ensuring disclosures made to shareholders and investors are comprehensive, accurate and on a timely and even basis as they are critical towards building and maintaining corporate credibility and investor confidence. As such, the Company has adopted a Corporate Disclosure Policy and Procedures to set out the policies and procedures for disclosure of material information of the Group to ensure compliance with the Listing Requirements. The Corporate Disclosure Policy and Procedures are applicable to all employees and Directors of the Group as well as those authorised to speak on their behalf.

### ii) Leverage on Information Technology

In addition, the Company also put in place electronic facility to enable communication with shareholders via its website [www.rsb.com.my](http://www.rsb.com.my). Shareholders can access to and obtain all information on RSB Group by accessing this website. All announcements made by the Company and information that are relevant to the shareholders and investors are available in this website.

## 8. Strengthen relationship between the Company and its shareholders

### i) Shareholder participation at general meeting

The general meeting, which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the general meeting, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. The Chairman of the general meeting invited shareholders to raise questions with responses from the Board, Senior Management and external auditors. The notice of general meeting is circulated within the prescribed period before the date of the meeting to enable shareholders to go through the Annual Report, circular and papers supporting the resolutions proposed. Special business transacted at the general meeting are accompanying with the explanatory notes to facilitate full understanding of the matters involved. The outcome of the general meeting will be announced to Bursa Securities immediately.

### ii) Poll voting

Pursuant to the amendment to the Main market Listing Requirement of Bursa Securities announced on 24 March 2016, the Board will put all the resolutions set out in the notice of Annual General meeting by poll voting at the twelfth Company's Annual general Meeting and the result will be validated by independence scrutineers.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## iii) Communication and proactive engagement with shareholders and prospective investors

The Board recognises the importance of being transparent and accountable to the Company's shareholders and prospective investors. The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website at [www.rsb.com.my](http://www.rsb.com.my) where shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, i.e. [rsb@rsb.com.my](mailto:rsb@rsb.com.my) to which stakeholders can direct their queries or concerns.

Mr. Bong Wei Leong is the Senior Independent Director duly identified by the Board to whom concerns or queries concerning the RSB Group may be conveyed to.

The Company's responses to queries raised by the Minority Shareholder Watchdog Group were also shared and read out during the last annual general meeting.

## COMPLIANCE STATEMENT

With the introduction of the new Code, the Board remains committed to inculcating good corporate governance for the Group. The Group has complied with the Code except for those disclosed in this statement. The Group will continue to endeavour to comply with all the key principles and recommendations of the Code in its effort to observe high standards of transparency, accountability and integrity.

## STATEMENT ON NOMINATION COMMITTEE ACTIVITIES

During the financial year ended 31 December 2016, the Nomination Committee has met once and the activities carried out by the Nomination Committee during the financial year ended 31 December 2016 are as follows:

- i) Reviewed the mix of skills, character, experience, integrity, core competencies and other qualities required for the Board as well as their time commitment and Board balance.
- ii) Evaluated the performance and effectiveness of the board including contributions of each individual director as well as the financial controller and the independence of the Independent Directors.
- iii) Assessed and recommended to the Board, Directors who are due for retirement by rotation pursuant to the Company's Articles of Association, for continuation in service as Directors.
- iv) Assessed and recommended the re-appointment of the Director pursuant to Section 129 of the Companies Act, 1965.
- v) Discussed to formalise a policy on the board and workforce diversity (including gender, age and ethnicity) and discussed the assessment of independent directors who have served for more than nine (9) years for continuance in office as independent directors of the Company.
- vi) Assessed the Financial Controller or person primarily responsible for the management of the financial affairs of RSB Group.
- vii) Evaluated the performance and effectiveness of the Board Committees.
- viii) Assessed and recommended to the Board the training needs and continuing education programme for Directors.

This statement is made in accordance with the resolution of the Board of Directors dated 24 March 2017.