

CORPORATE GOVERNANCE OVERVIEW 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 apply the principles necessary to ensure that the principles of good governance are practiced 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 three (3) principles which are set out in the Malaysian Code of Corporate Governance in respect of the financial year ended 31 December 2019. Where a specific practice 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

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, approving and adopting a strategic plan for the Company, including the sustainability of the Group's businesses;
- (b) overseeing and evaluating the conduct and performance 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 businesses 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 policies relating to investors relations programme and 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 Board recognises the importance of ensuring a balance of power and authority between the Chairman and the Executive Director ("ED"). The positions of Chairman (i.e. Non-Executive Chairman) and ED are held by different individuals with a clear division of responsibility between the running of the Board and the Company's businesses respectively. This ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board Responsibilities (Cont'd)

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.

The ED, supported by the Management Committee and senior management team, is responsible for the day-to-day management of the businesses and operations of the Group with respect to both its regulatory and commercial functions and implements the group's strategies, policies and decision adopted by the Board, oversees the operations and business management of the Group, provides effective leadership and ensure high management competency. The ED 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.

Both Company Secretaries of the Company are qualified secretaries as required pursuant to Section 235(2) of the Malaysian 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 duties 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.

To enhance accountability, the Board has established clear functions reserved for the Board and those delegated to Management. Further details pertaining to the Board Charter, Code of Conducts and Whistleblowing Policies and Procedures are set out in the CG Report. These documents are made available on the Company's website www.rsb.com.my and will be periodically reviewed and updated to ensure it remains consistent with the Board's objective and responsibilities.

II. Board Composition

Consequent to the resignation of Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King as Executive Director which took effect from 1 May 2019, the Board currently consist of five (5) members, comprising two (2) Independent Directors, one (1) Non-Independent Non-Executive Directors, and two (2) Executive Director. The Board composition complies with the Main market Listing requirements of Bursa Malaysia Securities Berhad that at least 2 directors or 1/3 of the board of directors of the company, whichever is the higher, are independent directors.

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 businesses. 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 criterias 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.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

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:

- (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.

The Board consists of qualified individual with diverse backgrounds, skills, age and experiences especially in entrepreneurship, plantation and timber industries, sale and marketing, business administration, finance, legal, accounting and taxation. The members of the Board with their combine business, management and professional experiences, knowledge and expertise, provide the core competencies to allow for diverse and objective perspective on Company's business and direction.

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.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

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 2019, 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	Numbers of day(s) spent
Best practice in applying Malaysian Private Entities Reporting Standard (MPERS)	2
Implementation of ISOC 1	1
Materiality – Determining materiality in the Audit of Financial Statement	1
The effect of MPERS on audit evidence and consideration	1
Malaysian Anti-Corruption Commission Amendment Act 2018	1
MFRS developments and updates, accounting for Income Tax and MACC (Amendment) Act 2018	2

The Board has yet to adopt gender 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 candidates. 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 are solely based on their competency, appropriate skills, 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 ED 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. The Board may utilizes independent sources to identify suitably qualified candidates if deem necessary.

The Nomination Committee is chaired by Senior Independent Director and all the members are non-executive Directors and a majority of whom are independent. During the financial year ended 31 December 2019, the Nomination Committee has met once.

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 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.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

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 2019, 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 that 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.

III. Remuneration

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

- (a) 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.
- (b) The level of remuneration for the ED are determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies, business results, experience and individual performance.
- (c) No Director other than the ED shall have a service contract with the Company.

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.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration (Cont'd)

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 2019 were as follows:

	Fee		Salary		Bonus		Other Emoluments		Total	
	Company RM	Group RM	Company RM	Group RM	Company RM	Group RM	Company RM	Group RM	Company RM	Group RM
<u>Executive Directors</u>										
Tiong Chiong Ong Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	-	57,600	150,000	900,000	-	-	7,148	61,543	157,148	1,019,143
	-	1,998	80,000	80,000	-	-	-	-	80,000	81,998
<u>Non-Executive Directors</u>										
Tiong Kiong King	75,000	127,683	-	-	-	-	2,000	2,000	77,000	129,683
Tiong Chiong Ie	35,000	63,600					1,200	1,200	36,200	64,800
Bong Wei Leong	45,000	45,000					2,600	2,600	47,600	47,600
Tiong Ing Ming	35,000	36,000					2,600	2,600	37,600	38,600

The terms of reference of the Remuneration Committee is available on the company's website at www.rsb.com.my.

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT

I. Audit Committee

During the financial year ended 31 December 2019, the Audit Committee ("AC") comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. Consequence to the re-designation of Mr. Tiong Kiong King as Executive Director on 1 June 2020, The AC consists of two (2) Independent Non-Executive Directors. A new member will be appointed to fill the vacancy in order to comply with the Main market Listing Requirements of Bursa Malaysia Securities Berhad. The AC is chaired by an Independent Non-Executive Director, Mr. Bong Wei Leong. The Committee has adopted the practice for AC to require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a members of AC and such practice is incorporate in the terms of reference of AC.

The Board has adopted an External Auditors Policy for the AC 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 AC is responsible for reviewing, assessing and monitoring the performance, suitability and independence of the external auditors, on an annual basis.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT (CONT'D)

I. Audit Committee (Cont'd)

The external auditors have confirmed and assured in writing of their independence to the AC. 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 AC recommended the re-appointment of Messrs. Crowe Malaysia PLT 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.

Audit and non-audit fees paid/payable by the Group and the Company to the External Auditors during the financial year ended 31 December 2019 are set out below:

	Group (RM)	Company (RM)
Statutory audit fee paid to:		
- Crowe Malaysia PLT	330,200	65,000
- Philip Tong & Co	36,500	-
Total (a)	366,700	65,000
Non-audit fees paid to:		
- Crowe Malaysia PLT	22,900	5,000
- Crowe Tax (Sarawak) Sdn Bhd	76,792	16,253
- Tomax Tax Services Sdn Bhd	9,848	-
Total (b)	109,540	21,253
% of non-audit fees (b/a)	29.9%	32.7%

The nature of the non-audit fees incurred by the Group and the company are services rendered for reviewing risk management and internal control statement and tax services.

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

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

II. Risk Management & Internal Control Framework

The Board acknowledges its responsibility for the Group's system of risk management and internal control, which is designed to identify, evaluate and manage the risks of the businesses of the Group, in pursuit of its objectives. In addition, the system of internal control practised by the Group spans over financial, operational and compliance aspects, particularly to safeguard the 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.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT (CONT'D)

II. Risk Management & Internal Control Framework (Cont'd)

The main features of risk management framework are disclosed on pages 37 to 38 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 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 Group are presented on pages 37 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 pages 42 to 43 of this annual report.

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

I. Communication with stakeholders

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 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 to which stakeholders can direct their queries or concerns.

II. Conduct of General meeting

The general meeting, which is the principal forum for shareholders 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.

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 of the Code in its effort to observe high standards of transparency, accountability and integrity.

Corporate Governance Overview Statement (cont'd)

STATEMENT ON NOMINATION COMMITTEE ACTIVITIES

During the financial year ended 31 December 2019, the Nomination Committee has met once and the activities carried out by the Nomination Committee during the financial year ended 31 December 2019 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 Constitution, for continuation in service as Directors.
- iv) 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.
- v) Assessed the Financial Controller or person primarily responsible for the management of the financial affairs of Group.
- vi) Evaluated the performance and effectiveness of the Board Committees.
- vii) 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 28 May 2020.