

Corporate Governance Overview Statement

The Board of Directors of RCE Capital Berhad (“RCE” or “the Company”) recognises the importance of safeguarding and promoting the interests of shareholders. The Board remains committed to upholding the value of good corporate governance by continuously advocating transparency, accountability, integrity and responsibility to enhance long term shareholders’ value and safeguarding the stakeholders’ value.

The Board presents this Corporate Governance Overview Statement (“Statement”) to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year ended 31 March 2019. The overview takes guidance from the key corporate governance principles as set out in the Malaysian Code on Corporate Governance 2017 (“Code”).

This Statement is prepared in compliance with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and shall be read together with the Corporate Governance Report (“CG Report”) of the Company, which provides the details on how the Company has applied each practice as set out in the Code. The CG Report is available on the Company’s website at www.rce.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Group is helmed by an effective and experienced Board comprising individuals of calibre and credibility from a diverse professional backgrounds with a wealth of experience, skills and expertise. The Board has overall responsibility for promoting the sustainable growth and financial soundness of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Group’s business.

The Directors together as a team, set the values and standards of the Company and ensure that the Group’s business is properly managed to safeguard the Group’s assets and shareholders’ investment.

The Board’s principal focus is the overall strategic direction, development and control of the Group. In support of this focus, the Board maps out and reviews the Group’s medium and long term strategic plans on an annual basis, so as to align the Group’s business directions and goals with the prevailing economic and market conditions. It also reviews Management’s performance and ensures that necessary financial and human resources are available to meet the Group’s objectives. The Board’s other main duties include regular oversight of the Group’s business performance, and ensuring that the internal controls and risk management processes of the Group are well in place and are implemented consistently to safeguard the assets of the Group. The Board also remains cognisant of the need for sustainable practices to manage the economic, environmental and social impact to address the long-term interest of the stakeholders.

Management on the other hand is responsible for managing the day-to-day operations of the Group’s business activities in accordance with the direction of the Board and is accountable for the execution of policies and strategies set by the Board to achieve the Group’s corporate objectives. Management provides relevant information to the Board in a concise and timely manner to enable the Board to make informed decisions and discharge its duties effectively.

The Directors are mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills. Each Director is expected to devote sufficient time to carry out their role as Directors and members of the Board Committees, if applicable, apart from attending Board and Board Committees meetings, shareholders’ meeting and Directors’ training.

In fostering time commitment from the Board, the Directors are required to notify the Chairman before accepting any new directorship in other public listed companies and such notification shall include an indication of time that will be spent on the new appointment. In accepting such appointment, the Directors shall take into consideration the time spent on the appointment to enable them to devote sufficient time to carry out their duties to the Company. The Directors shall

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seek guidance from the Chairman of the Board if there is any potential conflict of interest and shall upon appointed, notify the Company Secretary who shall inform the Chairman and other Board members accordingly. None of the Directors of the Company serve in more than five (5) listed companies and the Chief Executive Officer (“CEO”) of the Company does not serve as a director in other listed company.

The Directors are also required to notify the Company as and when they are appointed to other boards and provide the updates on their directorships and shareholdings in other companies on a quarterly basis.

The Board is of the view that the current external directorships held by the Directors of the Company do not give rise to any conflict of interest nor impair their ability to discharge their duties effectively. Moreover, each Director is able to discern an appropriate amount of time to commit to the Company without it being formally regulated. The Board believes that the provisions of the Companies Act 2016 (“the Act”) and the Listing Requirements of Bursa Securities are sufficient to ensure adequate commitment from Directors to perform their duties.

The Board meets at least four (4) times annually with additional meetings convened as and when deemed necessary. During the financial year, the Board met four (4) times where it deliberated and considered a variety of matters including the Group’s financial results, budget and strategy, corporate proposals and strategic issues that affect the Group’s business operations.

Board meetings are of sufficient duration to enable deliberation ensuring adequate analysis of issues during the decision-making process. The Board decisions made shall be by a majority as prescribed under the Constitution of the Company. Where a potential conflict of interest arises, it is mandatory for the Directors concerned to declare their interests and abstain from the deliberation and decision-making process. In the event where a corporate proposal is required to be approved by shareholders, the interested Directors will abstain

from voting, in respect of their shareholdings in the Company, on the resolution relating to the corporate proposal, and will further undertake to ensure that person(s) connected to them similarly abstain from voting on the resolution.

In the intervals between Board meetings, approvals on matters requiring the sanction of the Board are sought by way of circular resolutions which are supported with all relevant information and explanations to enable the Board to make informed decisions. All circular resolutions approved by the Board will be tabled for notation at the next Board meeting.

Details of attendance of Directors at the Board meetings during the financial year are as follows:

Name of Directors	No. of Meetings Attended
Shahman Azman	4/4
Datuk Mohamed Azmi bin Mahmood	3/4
Tan Bun Poo	4/4
Mahadzir bin Azizan	4/4
Soo Kim Wai	4/4
Shalina Azman	4/4
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan* (Resigned on 16 April 2018)	0/0
Dato’ Che Md Nawawi bin Ismail* (Resigned on 16 April 2018)	0/0

Note:

* Resigned prior to the first meeting held for the financial year

All Directors have more than adequately complied with the minimum requirements on attendance at Board meetings as stipulated under the Listing Requirements of Bursa Securities (minimum 50% attendance).

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The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

To assist the Board in carrying out its responsibilities and functions, it has delegated certain responsibilities to the Board Committees, namely Audit Committee, Nomination & Remuneration Committee, Employees' Share Scheme Committee and Sustainability Management Committee. These Committees operate within their own defined terms of reference approved by the Board, and report to the Board on matters considered and their recommendations thereon.

The Board Committees exercise transparency and full disclosure in their proceedings. The Board is kept apprised of the activities and the decisions of the Board Committees through the circulation of the minutes of the meetings of the Board Committees and update by the chairman of the respective Board Committees. The ultimate responsibility for the final decision on all matters however, lies with the Board.

- **Audit Committee**

The Audit Committee's principal role is to monitor the integrity of financial statements, risk management and internal controls and effectiveness of external and internal audit processes. Further details are disclosed under Principle B: Effective Audit and Risk Management in this Statement.

- **Nomination & Remuneration Committee**

The Nomination & Remuneration Committee ("N&R Committee") comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors and meets at least once in a financial year and whenever required. The N&R Committee had carried out the following activities during the financial year:

- reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
- reviewed and assessed the performance of each individual Director, the independence of the Independent Directors, and the effectiveness of the Board and the Board Committees;
- reviewed the Directors who are due for re-election at the Company's 64th Annual General Meeting ("AGM") to determine whether or not to recommend their re-election;
- reviewed and evaluated the performance and recommended the remuneration package of the CEO;
- reviewed the performance of the Audit Committee and each of its members;
- reviewed the training courses attended by the Directors and assessed their training needs;
- reviewed and recommended the remuneration of Non-Executive Directors;
- reviewed and recommended the adoption of remuneration policy for Directors and CEO;
- reviewed and recommended the Directors' fees for the financial year ended 31 March 2018;
- reviewed and recommended the revision of Chairman's allowance;
- reviewed and recommended the adoption of the revised Terms of Reference of the N&R Committee; and
- reviewed, assessed and recommended the appointment of Datuk Mohamed Azmi bin Mahmood as Chairman of the N&R Committee and member of the Audit Committee.

The Terms of Reference of the N&R Committee is available at the Company's website at www.rce.com.my.

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- **Employees' Share Scheme ("ESS") Committee**

The ESS Committee was established to administer the Company's ESS in accordance with the By-Laws governing and constituting the ESS as approved by the shareholders.

- **Sustainability Management Committee**

The Sustainability Management Committee was established to assist the Board in administering and overseeing the development and implementation of the Group's sustainability strategies.

In discharging its roles and responsibilities, the Board is guided by a Board Charter which sets out the role, functions, composition, operation and processes of the Board as well as the matters that the Board may delegate to the Board Committees, CEO and Management.

The Board is also supported by suitably qualified Company Secretaries who are experienced, competent and knowledgeable. They provide advisory services to the Board and its Committees on issues relating to corporate governance matters, compliance with laws, rules, procedures and regulations affecting the Group.

During the financial year, the Board approved the revisions to the Board Charter, the Directors' Code of Conduct and Ethics and the Terms of Reference of the Audit Committee and N&R Committee to be in line with the corporate governance standards as set out in the Code.

Additionally, the Group in its effort to enhance corporate governance has also put in place a whistle blowing policy to provide an avenue for employees and stakeholders to report genuine

concerns about malpractices, unethical behaviour, misconduct or failure to comply with regulatory requirements without fear of reprisal, discrimination or adverse consequences. Confidentiality of the matters raised and the identity of the whistle blowers are protected under the policy.

The Board Charter, Directors' Code of Conduct and Ethics and the whistle blowing policy together with the details of reporting channels are accessible on the Company's website at www.rce.com.my.

The Board acknowledges the importance of continuous education and training in order to broaden one's perspective and to keep abreast with the current and future developments in the industry and global markets, regulatory updates as well as management strategies to enhance the Directors' skills and knowledge in discharging their duties.

During the financial year under review, the Company had organised in-house trainings conducted by external consultants for the Directors and employees of the Group. The Directors are also encouraged to attend various external professional programmes which they individually considered as relevant and useful to further enhance their business acumen and professionalism in discharging their stewardship responsibilities.

The Company Secretary keeps Directors informed of relevant external training programmes and all Directors have attended external conferences/ workshops or internally organised programmes. All internal and external training programmes attended by Directors are recorded and maintained by the Company Secretary, which will be tabled to the N&R Committee and the Board for notation on a half-yearly basis, to assist the N&R Committee and the Board on the evaluation and determination of the Directors' training needs.

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The external conferences/workshops and internally organised programmes attended by the Directors during the financial year were as follows:

Director	Course Attended
Shahman Azman	Grosvenor Asia Pacific Breakfast Seminar
	Post Budget 2019 Review Seminar
	Breakfast Series: Companies of the Future - The Role for Boards
	Breakfast Series: Non-Financials - Does it Matter?
	Renewable Energy in Malaysia + Opportunities for Norwegian Companies
	AON Insurance Programmes
	Digital Innovation Conference: Working with Tomorrow's Technology Today
Datuk Mohamed Azmi bin Mahmood	Tax Workshop - Capital Statement
	The Rising Voice of Compliance towards Greater Governance and Transparency
	Breakfast Series: Non-Financials - Does it Matter?
Tan Bun Poo	Defining the Digital Bank/Blockchain and the Impact to Financial Services
	Financial Instruments Updates - An Analysis of MFRS (2014) Version
	MFRS 9 Expected Loss Model
	Power Talks - Effective Boards in VUCA World
	Budget 2019 - Doing Business in Malaysia
Mahadzir bin Azizan	Tax Workshop - Capital Statement
	Anti-Money Laundering, Terrorism Financing & Proliferation Financing
	Cyber Risk Awareness
	Post Budget 2019 Review Seminar
	Compliance Management Strategy During Conflict of Interest
	Combating Money Laundering and Fraud in a Digital Economy
	Cryptocurrency & Its Implications on Money Laundering Activities
Soo Kim Wai	Technology Update <ul style="list-style-type: none"> - Increase your competitive edge through Digital Transformation - Discover world's leading software platform for digital assets - Blockchain
	In Conversation with Stephen Hagger - Malaysia's Politics and Landscape
	Mid-Year Outlook 2018
	Creating and Preserving Your Wealth with Bank of Singapore
	Tax Workshop - Capital Statement
	Winner and Losers: Asian equities amidst trade tensions and tariffs
	Technology Update <ul style="list-style-type: none"> - An audience with Fintech Thought Leader, Chris Skinner - AmDigital Strategy

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Director	Course Attended
Soo Kim Wai (Cont'd)	MIA International Accountants Conference 2018
	Grosvenor Asia Pacific Breakfast Seminar
	Post Budget 2019 Review Seminar
	BCBS 239, Data Governance & Risk - Finance Alignment
	Dialogue with IRB - Special Voluntary Disclosure Programme
	JP Morgan Outlook 2019
	New Investment Alternatives
	Reading the Signs: The next financial crisis and potential impact on Asia
	Manager Spotlight Series: Deciphering the Digital Revolution
Shalina Azman	Key Amendments to Listing Requirements
	Business Transformation using Capital Management Strategies
	Certificate in Corporate Governance
	Post Budget 2019 Review Seminar
	Ring the Bell for Gender Equality - Empower Women for Sustainable Results

The N&R Committee and the Board upon assessing the training needs of each of its Directors, are satisfied that the Directors have received the necessary training during the financial year under review which enhanced their effectiveness and contribution to the Board.

II. Board Composition

The Board has adopted a 12-year tenure policy for its Independent Directors, to limit the tenure of the Independent Directors to twelve (12) years. In accordance with this policy, the Board had been refreshed where the two (2) long-serving Independent Directors, namely Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan and Dato' Che Md Nawawi bin Ismail had stepped down from the Board in April 2018.

As at the date of this Statement, the Board comprised six (6) members, entirely of Non-Executive Directors, of whom three (3) are Non-Independent Directors (including the Chairman) and three (3) are Independent Directors. The structure of the Board ensures that no single Director is dominant in the decision-making process. The present composition is in compliance with paragraph 15.02 of the Listing Requirements and the Code. A brief profile of each Director is set out in the Profile of Directors section of this Annual Report.

The Group practices non-discrimination in any form whether based on age, gender or ethnicity throughout the organisation and this includes the selection of Board members. The Board is committed to ensuring that its composition not only reflects the diversity as recommended by the Code, as best as it can, but also has the right mix of skills and balance to contribute to the achievement of the Company's goal.

In this regards, the Board through its N&R Committee reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual Directors.

During the financial year, the Board engaged an independent external consultant, namely Deloitte Risk Advisory Sdn Bhd to facilitate its Board Effectiveness Assessment exercise for the financial year ended 31 March 2019. The Board Effectiveness Assessment was undertaken by way of peer-to-peer and self-review assessments as well as one-to-one interview sessions between the representatives of the independent external consultant and the Directors and CEO.

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The assessment also covers:

- review of the Board Charter and the terms of reference of the Board Committees;
- review of the minutes of the Board and Board Committees meetings held during the period under review;
- review the relevant documentation and information deemed necessary in facilitating the assessment; and
- surveys via questionnaires with all Board members and CEO.

The Board Effectiveness Assessment covers a broad spectrum of governance attributes encompassing strategy innovation, board and leadership succession, performance evaluation, stakeholder engagement, board oversight, processes, talent, learning, technology, leadership culture, risk and value drivers, compliance, accounting, financial reporting and taxation.

Based on the assessment, the Board concluded that the Board as a whole and its Committees have been effective in discharging their oversight responsibilities during the financial year. Premised on the outcome of the evaluations, the Board also agreed that the current composition of the Board is appropriate, taking into account the current mix of skills, experience and core competencies in the Board composition and given the Group's businesses and the size of its business operations.

III. Appointment to the Board

As part of the N&R Committee's oversight of Board succession planning, it is also responsible for identifying suitable candidates to fill Board vacancies as and when the needs arise, or to identify candidates to complement the Board's current composition, and make recommendations to the Board on their appointment to the Board and where applicable, to the various Board Committees. The N&R Committee will assess the suitability of candidates, taking into consideration the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, personal qualities, the potential for the candidate's skills to augment the existing Board, the candidate's availability to commit to the Board's activities, and in the case of candidate proposed for appointment as Independent Director, the candidate's independence. The

N&R Committee is responsible to ensure that the procedures for appointing new Directors are transparent.

IV. Remuneration

The Board is aware that a fair remuneration is critical to attract, retain and motivate its Directors and senior management. The Company has in place a Remuneration Policy for Directors and CEO which sets out the criteria applied in recommending their remuneration packages.

The aforesaid policy is to set remuneration at levels which are sufficient to attract and retain Directors and CEO needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved.

For the CEO, the N&R Committee reviews the remuneration package annually and recommends to the Board on specific adjustments and/or rewards that reflect his contributions throughout the year as well as corporate performance and achievement of key performance indicators, taking into consideration the market and industry practices. Long term incentives are implemented through ESS of the Company.

In the case of Non-Executive Directors, their remunerations reflect the expertise and level of responsibilities undertaken by the Non-Executive Directors. Meeting attendance allowances are also paid to Independent Directors in accordance with the number of meetings attended during the financial year. Individual Directors will abstain from participating in the discussion and decision of their own remuneration package. Non-Executive Directors' fees and benefits are subject to the approval of shareholders at the AGM based on the recommendation of the Board.

In May 2019, the Board approved the recommendation by the N&R Committee in respect of the Non-Executive Directors' fee, which will be put forth to the shareholders for approval at the 65th AGM in accordance with Section 230 of the Act.

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The Company has also in place a Directors and Officers liability insurance (“D&O policy”) to indemnify the Directors against liability and costs incurred by them in discharging their duties as Directors, to the extent permitted under the Act. The Directors are required to contribute jointly to the premium of the D&O policy.

The details of the Directors’ remuneration for the financial year ended 31 March 2019 are disclosed in the CG Report under Practice 7.1.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Company comprises four (4) Non-Executive Directors, three (3) of whom are Independent Directors which is in compliance with the Listing Requirements of Bursa Securities.

The Audit Committee is chaired by Mr. Tan Bun Poo, an Independent Director who is not the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee’s findings and recommendations.

The Company, through its Audit Committee, has established a transparent and appropriate relationship with the Company’s external auditors which ensure the objectivity, independence and effectiveness of external auditors are maintained.

The performance of the Audit Committee and its members were evaluated as part of the Board’s annual assessment and based on the findings, the Board is satisfied that the Audit Committee has discharged its responsibilities effectively during the financial year.

A full Audit Committee Report enumerating its membership and a summary of activities during the financial year is set out in the Audit Committee Report.

II. Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility in maintaining a sound system of internal control and risk management that provides reasonable assurance of effective and efficient operations, compliance with laws and regulations, as well as internal procedures and guidelines.

A Risk Management Committee comprising members with risk and business management knowledge and experience has been established by the Company to implement the risk management policies and strategies formulated and approved by the Board. It monitors and manages the principal risk exposures by ensuring that Management has taken the necessary steps to mitigate such risks and recommends action where necessary. The Risk Management Committee reports to the Audit Committee which in turn will brief the Board on its findings, if so required.

The Board continues to maintain and regularly review the adequacy of its system of internal control and risk management processes to ensure, as far as possible, the protection of the Group’s assets and its shareholders’ investments.

The Statement on Risk Management and Internal Control, which provides an overview of the management of risks and state of internal control within the Group, is set out on pages 43 to 45 of this Annual Report.

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

I. Communication with Stakeholders

The Company always ensures that its communication with the shareholders and various stakeholders is transparent, timely and effective. The public can access the latest information regarding the Group through its website at www.rce.com.my. The Company and its investor relations team also conduct briefing and press interviews to provide the investors, analysts and fund managers and members of the media with

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opportunities to receive information relating the Group. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has an online enquiry form that can be obtained from the Company's website to which stakeholders can direct their queries or concerns.

Investor relation matters may be directed to the following person:

Mr. Loh Kam Chuin
Chief Executive Officer
Telephone number: +603-4047 0988
Email: IR@rce.com.my

II. Conduct of General Meetings

The Company's general meetings remain as the principal forum for dialogue and interaction with shareholders and provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's businesses and corporate developments.

Notice of the AGM, the Form of Proxy and the Annual Report were despatched to the shareholders at least 28 days before the 64th AGM. This allows shareholders sufficient time to make necessary arrangements to attend and participate in person or by proxies.

To ensure effective participation of and engagement with shareholders at the 64th AGM of the Company held on 6 September 2018, all members of the Board were present at the meeting to respond to the questions raised by the shareholders and proxies.

At the 64th AGM, Management also presented a comprehensive review of the Company's financial performance for the financial year and the Group's prospects and strategies. Shareholders were encouraged to participate in the question and answer session on the Group's operations and all resolutions proposed, and were given opportunities to communicate and give constructive feedbacks to the Board.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Act to ensure that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the results of their operations and cash flows for the financial year. The Directors consider that in preparing the financial statements, they have consistently used and applied the appropriate and relevant accounting policies and made judgements and estimates that are reasonable and prudent.

The Directors have a general responsibility in ensuring that the Group keep proper accounting records in accordance with the provisions of the Act to enable the preparation of the financial statements with reasonable accuracy. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board is satisfied that the Group has maintained high standards of corporate governance and strived to achieve the highest level of integrity and ethical standard, in all its business dealings.

Moving forward, the Board will continue to operationalise and improve the Company's corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

This Statement is made in accordance with the resolution of the Board of Directors dated 28 May 2019.