

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7498
COMPANY NAME : RALCO CORPORATION BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO THE CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board undertakes the following key responsibilities in meeting its goals and objectives of the Company:</p> <ul style="list-style-type: none">• reviewing the code of conduct of the Company and implementing appropriate internal systems to support, promote and ensure its compliance;• reviewing and adopting a strategic plan for the Company;• regularly evaluating economic, environmental, social and governance issues and any other relevant external matters that may influence or affect the development of the business or the interests of the shareholders in ensuring that the Company's strategies promote sustainability;• overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;• reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance. This includes establishing sound risk management framework, reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;• selecting, appointing and evaluating from time to time the performance of, and planning succession of the Managing Director under the guidance of the Nominating Committee;• reviewing the procedures for appointment of senior management and ensuring that succession planning of the senior management is in place;• establishing an internal audit function which reports directly to the Audit Committee;• promoting effective communication and proactive engagements with shareholders and other stakeholders;• ensuring there is a sound framework of reporting on internal controls and regulatory compliance;• ensuring its members have access to information, advice and appropriate continuing education programmes;• reviewing and approving formal and transparent remuneration policies and procedures to attract and retain directors;• ensuring there is appropriate corporate disclosure policies procedures;

	<ul style="list-style-type: none"> • encouraging the usage of information technology in communicating with stakeholders; • taking reasonable steps in encouraging the shareholders' participation and voting by poll at general meetings of the Company; • promoting effective communication and proactive engagements with shareholders; and • undertaking an assessment of the independent directors annually. <p>The roles and responsibilities of the Board are set out in the Board Charter and the Board Committees' roles and responsibilities in discharging its functions which had been delegated by the Board are set out in each respective Board Committees' Terms of Reference.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The present Chairman of the Board is Datuk Lim Si Cheng, who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. The Board, under the leadership of the Chairman, works effectively and performs responsibilities with all key and appropriate issues discussed in a timely manner. All Directors are encouraged to share their views on the Company's affairs and issues, and they are entitled to have access to the senior management who will respond to queries raised by them.</p> <p>The key responsibilities of the Chairman are set out below:-</p> <ul style="list-style-type: none">• The Chairman shall ensure the smooth functioning of the Board;• The Chairman shall act as facilitator at meetings of the Board to ensure that no directors, whether executive or non-executive, dominate discussion, that appropriate discussion takes place and that relevant opinion among directors is forthcoming;• The Chairman shall inculcate positive culture in the Board;• The Chairman shall ensure that all relevant issues are on agenda for Board meeting and all directors are able to participate fully in the Board's activities;• The Chairman shall ensure that the Board debates strategic and critical issues; and• The Chairman shall ensure that the Board receives the necessary information on a timely basis from management.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman is Datuk Lim Si Cheng and the role of Managing Director is assumed by Mr Tan Heng Ta.</p> <p>The distinct and separate roles and responsibilities of the Chairman and Managing Director are provided in Paragraph 3.0 of the Board Charter, which is available on the Company's website at www.ralco.net</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The roles and responsibilities of the Company Secretary include, but are not limited to the following:</p> <ul style="list-style-type: none">• manage all Board and Committee meeting procedure, attend and record minutes of all Board and committee meetings and facilitate Board communications;• guide the Board on its roles and responsibilities;• guide the Board on corporate disclosures and compliance with Listing Requirements, Companies Act 2016 and other regulations;• manage processes pertaining to the shareholders' meeting; and• monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations. <p>The Company Secretary attends trainings to keep herself abreast with the regulatory changes.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied	
Explanation on application of the practice	:	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 for an effective discharge of the Board’s responsibilities.	
		Procedures have been established for timely dissemination of meeting papers at least seven (7) days prior to the Board’s and Board Committees’ meetings, to facilitate decision making 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.	
		Deliberations and decisions made at Board’s and Board Committees’ meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation. The minutes are then circulated to the Directors and Board Committees for perusal. The minutes are confirmed as correct record by the Board and Board Committees at the following meeting.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by its Board Charter which clearly sets out the Board's roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter, which is periodically reviewed by the Board to be in line with regulatory changes, was last reviewed and approved by the Board on 23 November 2017.</p> <p>The updated version of the Board Charter is available on the Company's website at www.ralco.net</p> <p>To enhance accountability, the Board has established clear functions reserved for the Board, Board Committees, individual Directors and Managing Director.</p> <p>The Charter provides guidance for Directors and Management regarding the responsibilities of the Board, Board Chairman, Board Committees, Executive Directors and Non-Executive Directors as well as the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities.</p> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group is committed to achieving and monitoring high standards pertaining to behaviour at work.</p> <p>The Board is strictly adhered to the Company's Code of Conducts and Ethics in discharging its oversight role effectively. The Code of Conducts and Ethics defines rules of conduct and include, among others:-</p> <ul style="list-style-type: none">• compliance with rules and regulations;• managing conflicts of interest;• confidentiality;• business integrity and anti-corruption;• social responsibility and community involvement; and• corporate governance. <p>The Code of Conduct is available on the Company's website at www.ralco.net.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied	
Explanation on application of the practice	:	The Group has adopted a whistle-blowing policy to enable employees and any other persons to report instances of unethical behaviour, actual or suspected fraud and/or abuse within the Company. This policy has been disseminated throughout the organisation and is available at www.ralco.net .	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied	
Explanation on application of the practice	:	The Board consist of six (6) members. Out of the six (6) directors, four (4) of them are independent Directors	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
Explanation on application of the practice	:	<p>Datuk Lim Si Cheng has served as an Independent Director of the Company more than 9 years and thus, the Board has obtained approval from shareholders for his continuance in office as an Independent Director at the 22nd Annual General Meeting (“AGM”) held on 14 June 2017.</p> <p>At the forthcoming AGM in year 2018, the Board will seek shareholders' approval for Datuk Lim Si Cheng to continue acting as an Independent Director of the Company, based on the following justifications:-</p> <ul style="list-style-type: none">• he fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would able to function as a check and balance, bring an element of objectivity to the Board;• he has been with the Company for more than 9 years and was familiar with the Company's business operations;• he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and• he has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Adopted
Explanation on adoption of the practice	:	The Company's Board Charter states that the tenure of an Independent Director shall be for a cumulative term of nine (9) years since appointment as Independent Director. The Independent Director may continue to serve beyond the 9-year tenure provided the Independent Director is re-designated as a Non-Independent Director. Where the Board is of the view that the Independent Director can continue beyond the 9-year tenure, it must justify and seek annual shareholders' approval.

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The candidate for appointment to the Board is selected after taking into consideration the mix of skills, experience and independence that will be relevant for the effective discharge of the Board’s responsibilities with due regard for diversity in age, gender, ethnicity and cultural background. The Nomination Committee is delegated to review and assess the appointment of new board member based on the criteria of “Fit and Proper Standard” as set out in the Company’s Board Charter.</p> <p>The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Board is continuing to work towards addressing this as and when vacancies arise and suitable candidates are identified. The Company’s prime responsibility in new appointments is always to select the best candidates available.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is supportive of gender diversity in the Board composition and senior management and has set a target of 30% female representatives to be achieved by 2020. There was one female director in the Board in financial year 2017. However, she resigned as a Director of the Company on 15 March 2018.	
		The Board through the Nomination Committee will consider the gender diversity as part of its future selection and will look into increasing female board representation and Management in future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	<p>There was no appointment of director after the implementation of Malaysian Code on Corporate Governance 2017 on 26 April 2017 and before the end of financial year 2017.</p> <p>The Nomination Committee will rely on recommendation from various approaches and sources i.e. Board member, management, major shareholders and independent search firm to identify candidates for appointment of directors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nomination Committee, which comprised entirely Independent Non-Executive Directors, is chaired by Datuk Lim Si Cheng, the Senior Independent Director of the Company.</p> <p>The Term of Reference of the Nomination Committee is available on the Company’s website at www.ralco.net.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee ("NC") carries out the evaluation process annually for accessing the effectiveness of the Board Committees and the Board as a whole and for accessing the contribution of each individual Director. The evaluation was conducted using the evaluation Forms which set out the assessment criteria as approved by the Board which covered areas such as the Board Structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. For Individual Assessment, the assessment criteria include business planning contribution integrity, and board participation.</p> <p>The NC will complete a questionnaire regarding the effectiveness of the Board as a whole, the Board Committee and performance of individual directors. The assessment and comments by the NC will then be summarised and discussed at the NC meeting and reported to the Board for action.</p> <p>For the financial year ended 31 December 2017, the NC has assessed the effectiveness of the Board as a whole, the Committees of the Board, contribution of each Director and Independence of Independent Directors.</p> <p>From the results of the assessment, the NC concluded that each Directors has the requisite competence to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time and participation during the year under review, and recommended to the Board the re-election of retiring Directors at the Company's forthcoming Annual General Meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Remuneration Committee ("RC") takes into account the corporate objectives and the performance of the Company to determine the remuneration of the Directors. In determining the remuneration of the senior management, the RC takes into account the role, skills, competency and the performance of the individual.</p> <p>The Directors' fees and benefits are recommended for shareholders' approval after review by the RC and the Board of Directors.</p> <p>The RC and Board will discuss and formalise the Remuneration Policy for Directors and Senior Management.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Remuneration Committee ("RC"), which comprised exclusively of Non-Executive Directors.</p> <p>The RC reviews and recommends to the Board annually the Board's remuneration package and/or reward payments that reflect their respective contributions for the year, and which depend on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.</p> <p>The RC has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the Company's website at www.ralco.net.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	A detailed disclosure on named basis for the remuneration of each director can be found under the Corporate Governance Overview Statement in the Company's Annual Report 2017.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company has only three (3) senior management in financial year 2017. With the disclosure of their remuneration on named basis, the Board is concerned that the top named senior management staff might run the risk of being approached by the Company's competitors.</p> <p>The Board considered the information of the remuneration of the Senior Management personnel to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talents.</p> <p>The top senior management's remuneration have been disclosed on no named basis in bands of RM50,000 under the Corporate Governance Overview Statement in the Company's Annual Report 2017.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee ("AC") consisting of three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the AC, Mr Tham Yew Chung is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently, no former key audit partner of the external auditors of the Company is appointed as a member of the Audit Committee (“AC”) and the Company does not consider a former audit partner as a candidate for appointment to the AC in the near future.	
		The AC will observe the requirement in the event that a former key audit partner is appointed to the Board and will amend the Terms of Reference of the AC accordingly.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee (“AC”) is responsible for assessing the capabilities and independence of the external auditors (“EA”) and also recommending to the Board on the EA’s appointment, re-appointment or termination of their services to the Company.</p> <p>The AC received assurance from the EA confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.</p> <p>The AC had assessed and was satisfied with the independence, quality of service and adequacy of resources of the EA in relation to the audit services provided. The AC then recommended to the Board for the re-appointment of Messrs. RSM Malaysia as the EA of the Company for the financial year ending 31 December 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	All the members of the Audit Committee are independent directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied	
Explanation on application of the practice	:	<p>All members of the Audit Committee (“AC”) are financially literate and assist the Board to oversee and scrutinise the process and quality of the financial reporting and ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.</p> <p>All members of the AC undertakes continuous professional development and have annual discussion with the external auditors on financial reporting development to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and rules.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is responsible for the Group's risk management framework and system of internal control and for reviewing their adequacy and integrity.</p> <p>The Board affirms its overall responsibility for establishing an effective risk management and internal control framework, which is in place and has been enhanced over the years.</p> <p>The Board exercises its oversight of risk management and internal control through the Audit and Risk Management Committees which meet on a quarterly basis. The Audit and Risk Management Committees are supported by an adequately resourced internal audit function.</p> <p>Key policies and frameworks, such as the Risk Management Framework, are reviewed by the Audit and Risk Management Committees before they are approved by the Board for application.</p> <p>For detailed information, please refer to the Statement on Risk Management and Internal Control in the Annual Report of the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The Statement on Risk Management and Internal Control as included in 2017 Annual Report provides the overview of the risk management and internal control framework adopted by the Company during the financial year ended 31 December 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	The Risk Management Committee comprises four (4) members, out of which, three (3) members are independent directors.

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	The Company has established an in-house internal audit function, which is independent from the day-to-day operations of the Group. The internal audit function is headed by Mr Ken Teh who is a qualified and certified internal auditor, reports directly to the Audit Committee on the adequacy and operating effectiveness of the Group's system of internal controls from the perspectives of governance, risks and controls. The scope and extent of work carried out by the internal audit function are set out in the Statement on Risk Management and Internal Control Statement in the Company's Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	None of the internal audit personnel has any relationships or conflict of interest that could impair his objectivity and independence in conducting the internal audit functions. The Internal Audit Function is in charged by Mr Ken Teh, who is a Chartered Accountant of the Malaysian Institute of Accountants. The Internal Audit function is independent of the activities it audits and carries out its work in accordance with the International Professional Practices Framework of the Institute of Internal Auditors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. As such, the Board consistently ensure the supply of clear, comprehensive and timely information to their stakeholders via various disclosures and announcements including quarterly and annual financial results, which provides investors with up-to-date financial information of the Group. All these announcements and other information about the Company is available on the Company's website at www.ralco.net which shareholders, investors and public may access.</p> <p>In addition, the Directors engage with shareholders at least once a year during the Annual General Meeting to understand their needs and seek their feedback.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company does not fall under the category of "Large Companies" as defined in the Malaysian Code on Corporate Governance.	
		Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	<p>In 2017, the Notice of 22nd Annual General Meeting (“AGM”) was sent to the shareholders at least 28 days before the AGM, in advance of the 21-day requirement under the Company’s Constitution, the Companies Act, 2016 and the Listing Requirements, which providing additional time to the shareholders to allow them to make the necessary arrangements to attend and participate in person or by corporate representatives or proxies, and consider the resolutions that will be discussed and decided at the AGM.</p> <p>The Notice for the forthcoming 23rd AGM is to be given to the shareholders at least 28 days before the meeting.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>All directors (except Mr Heng Chee Wei) were present at the 22nd Annual General Meeting in person to engage directly with the shareholders. Mr Heng Chee Wei absent with apologies due to personal arrangement.</p> <p>The present of directors presented opportunities for the shareholders to engage with each director and allowed the shareholders raised questions and concern directly to the Directors.</p> <p>Directors will ensure their attendance at the forthcoming Annual General Meeting.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company does not have meetings in remote locations nor does it have a large number of shareholders for it to leverage on technology to facilitate shareholders' voting in absentia or having remote shareholders' participation in general meetings. It is also not cost effective nor practical for the Company to do so.	
		The Company's general meetings have always been held at a venue which is easily accessible.	
		Shareholders are entitled to appoint proxy/proxies to vote on their behalf in their absence at general meetings.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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

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

[Click here to enter text.](#)

