

# **SANBUMI HOLDINGS BERHAD**

(Company No. 8386-P)

## **BOARD CHARTER**

### **1. Introduction**

The Board of Directors (“Board”) of Sanbumi Holdings Berhad (“Sanbumi” or “the Company”) regard Corporate Governance as important principles and practices to be upheld, and it will continuously strive to ensure that good Corporate Governance is implemented and carried out throughout the Group, with the ultimate objective to adopt good governance practices as an integral part of our business dealings and organisation culture.

The Board has primary responsibilities to the shareholders for the welfare of Sanbumi by guiding and monitoring the business and affairs of the Company. The Board must at all times act honestly, fairly and diligently in all respects in accordance to the Malaysian Code on Corporate Governance (“MCCG”) and applicable laws.

Each of the directors, when representing the Company, must act in the best interest of the shareholders of Sanbumi and in the best interest of Sanbumi as a whole.

The Company would ensure that its Board Charter and all relevant documents as recommended are easily accessible to its shareholders and stakeholders.

### **2. Objectives**

The objectives of the Board Charter are to ensure that the Board remains fully resolved and committed to employing the principles of integrity, transparency and professionalism to ensure the practice of good corporate governance that will safeguard and enhance shareholders’ investment and value and at the same time protect the interests of the stakeholders.

### **3. The Board**

#### **3.1 Board’s Overall Responsibilities**

The Board shall strive to ensure that the Company and its subsidiaries (“Group”) are managed to achieve this objectives. This responsibility of the Board would be an active and not passive responsibility. The Board shall ensure that the management has in place appropriate processes for risk management, internal control and the monitoring of performance against agreed benchmarks. The Board shall work with the senior management as collaborators in advancing the interests of the Group. However, the Board shall not be too accepting of the management’s views and shall test and question the management’s assertions, monitor progress, evaluate management’s performance and will, where warranted, take corrective action.

In addition to fulfilling its commitment for maximisation of shareholder's value, the Board shall endeavour to uphold the interests of the Group's customers, employees, suppliers and the communities where it operate, but bearing in mind the circumstances and requirements for successful business.

The duties, powers and functions of the Board are governed by the Articles of Association of the Company and the prevailing laws and regulations governing companies in Malaysia.

### **3.2 Roles and Responsibilities of the Board**

Having regard to the commitments, the Board is expected to direct and supervise the management of the business by fulfilling the following responsibilities:-

1. To review and approve the strategies, business plans and significant policies after satisfying themselves that management has taken into account all the relevant and appropriate considerations in establishing the strategies, plans and policies.
2. To ensure a competent management by establishing policies for strengthening the performance of the Group with a view to proactively build the business through innovation, initiative, technology, new products and the development of its business capital;
3. To monitor implementation, progress and performance of the strategies, policies, plans, legal and fiduciary obligations that affect the business by adopting performance appraisal measures;
4. To evaluate whether the business is being properly managed and to ensure that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safe guard the Company's assets;
5. To ensure that the Group has appropriate business risk management process, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;
6. To establish various Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the various board committees and acting on their reports;
7. To ensure that the financial statements of the Company and Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
8. To ensure that there is in place an appropriate succession plan for members of the Board and senior management;
9. To ensure that the Group adheres to high standards of ethics and corporate behaviour including transparency in conduct of business. Directors are required to comply with the Directors' Code of Best Practice which amongst others includes the declaration of any personal, professional or business interest, direct or indirect which may conflict with directors' responsibilities as a Board Member and to refrain from voting on such transaction with the Group;

10. To ensure that there is in place an appropriate investor relation and communication policy;
11. To ensure that the Company's corporate disclosure are in compliance with the disclosure requirements as set out in the Bursa Malaysia Listing Requirements; and
12. To ensure the Company has effective, transparent and regular communication with its stakeholders to enable them to make informed decisions with respect to the business of the Group, its policies on governance, the environment and social responsibility.

Directors should consult the Chairman and / or the Company Secretary, as required for any clarifications on their responsibilities and duties and any dealings from which potential conflict of interest situation may arise.

The Board is ultimately accountable and committed for the affairs and performance of the Company.

### 3.3 Position of Chairman

- (a) The Chairman is primarily responsible for orderly conduct and function of the Board.
- (b) The Chairman of the Board, Managing Director and the Chairman of the Audit Committee are held by different individuals.

The role of the Chairman is provided in Appendix A.

### 3.4 Role of Managing Director

The Managing Director is responsible for the day-to-day running of the Group's business, implementation of the Board's policies and making operational decisions. He is assisted in managing of the Group's business by the Management. The role of the Managing Director is provided in Appendix B.

## 4.0 Guidelines for Board Membership

### (a) Attributes and composition

The Board shall consist of individuals who possess diverse experiences, knowledge, qualifications, and expertise besides having high standards of professionalism and integrity. The size of the Board should facilitate the making of informed and sound decisions. At all times the Board shall have a balanced composition of Executive and Non-Executive Directors, with **at least half** of the Board being Independent Non-Executive Directors.

The Independent Directors shall provide independent judgment and objectivity without being subordinated to operational considerations. The Independent Directors help to ensure that the interest of all shareholders, and not only the interest of a particular group, and that all relevant matters and issues are objectively and impartially considered by the Board. The views and opinions of the Independent Directors shall carry significant weight in the Board's decision-making process.

If, on any matter discussed at a Board Meeting, any Director holding differing views to those of any other Directors, the Board minutes shall clearly reflect this.

#### **(b) Procedure of appointment**

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 when it thinks appropriate. New Board Members are to be appointed by appropriate recommendation of the Nominating Committee for Board's consideration and decision of the full Board.

The Company does not adopt any formal gender diversity policy in the selection of new Board candidates. The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company, regardless of gender.

Newly appointed Directors are expected to declare their time commitment to the Board, and if they sit in other listed corporations as a director, to notify the same to the Board.

The number of directorships in listed corporations held by any Board Member at any one time shall comply with the listing requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company Secretary shall assist to ensure all relevant procedures and compliances are fulfilled relating to the appointment of new Directors.

#### **(c) New Board Member's Induction & Training**

Appropriate induction programme for newly appointed Directors shall be carried out as advised by the Company Secretary with assistance from other Executive Directors and/or senior management.

The Board shall adopt a continuous educational and training programme to update Board Members relating to new development of laws, regulations and other business and management related subjects, risks control and management subjects that may affect the Company's business and compliance requirements.

The Board shall ensure compliance of the mandatory accredited programme of Bursa Securities for newly appointed directors and assess further training programme needs of the directors on an on-going basis.

#### **(d) Board Members' Retirement by Rotation**

All Directors shall be subject to retirement by rotation in accordance with the Listing Requirements and the Company's Articles of Association.

## **5.0 Board Process and Supply of Information**

The Company shall provide to all Directors with timely and quality information and in the form and manner appropriate for them to discharge their duties effectively.

The Management is responsible for providing the Board with the relevant and required information for business judgment and decision making in an appropriate and timely manner, and the Board Members, where necessary may consult with experts and professionals for advice and at the expense of the Company.

### **(a) Board Meetings**

The Chairman, assisted by the Company Secretary and Managing Director shall assess the type of information to be furnished to the Board Meetings. The Board shall meet on a regular basis throughout the year. At each scheduled meeting, a full and comprehensive meeting materials shall be circulated to all Board Members at least 5 business days in advance giving ample time for reading and preparation by Board Members.

The meeting materials, amongst others, shall include the following:-

- Minutes of meetings of all committees of the Board;
- A current review of the business operations of the Company;
- Quarterly financial reports, reports on cash flow and borrowings positions, budgets and other financial reports;
- Directors' Securities dealings
- Reports on related party transactions and recurrent related party transactions;
- Annual management plans;
- Report on key business risks, the development of and progressive monitoring of a sound framework of internal controls and regulatory compliance.

In carrying out Board Meeting procedures, and meeting the requirements of a valid Board Meeting, the Company's Articles of Association shall be followed. Upon conclusion of a meeting, the minutes are circulated within one month to the Directors. The minutes of the Board Meetings shall be duly entered into the minute book of the Company. Such Board Meetings having been signed by the Chairman of the meeting at which the proceedings were held, or by the Chairman of the next succeeding meeting shall be conclusive evidence of the meeting held. Minutes of the Board Meeting shall be distributed to all members of the Board.

### **(b) Codes of Conduct**

The Codes of Conduct of Directors are provided in Appendix C. The Board should undertake a review of the Code of Conduct of Directors annually to ensure that this code is current and relevant.

### **(c) Board's Access to Independent Professional Advice**

The Board is entitled to obtain independent professional advice at the cost of the Company, and the Director who considers this as necessary shall follow these guidelines:-

- (i) First discuss with the Chairman;
- (ii) Provide written notice to the Company Secretary of his intention to seek independent advice with brief summary of the subject matter; and
- (iii) The Board shall be notified and approval be obtained prior to the engagement of the professional advisors.

Independent advice sought shall exclude those of personal interests which include inter alia those related to the Director's personal disputes in matters that are not related or affect the Board or the Company as a whole.

## **6.0 Company Secretary**

The Board is supported by qualified and experienced named company secretaries who facilitate overall compliance with the Main Market Listing Requirements of Bursa Securities ("MMLR") and other relevant laws and regulations.

The Company Secretaries carry out the following tasks:

- (i) Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting ("AGM"), Extraordinary General Meeting ("EGM") and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;
- (ii) Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc. and all relevant announcements are announced to Bursa Malaysia and Securities Commission on a timely basis;
- (iii) Ensure that deliberations at the meetings are well captured and minuted, and subsequently communicated to the relevant Management personnel for necessary actions;
- (iv) Ensure that the Company complies with the Main Market Listing Requirements and the requirements of the relevant authorities;
- (v) Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;
- (vi) Keep the Directors and principal officers informed of the closed period for trading in the Company's shares; and
- (vii) Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.

## **7.0 Board Committees**

The Board shall establish the following Board Committees with specific terms of reference as set out in the respective Appendices:-

- Audit Committee (Appendix D)
- Nomination Committee (Appendix E)
- Remuneration Committee (Appendix F)

## **8.0 Financial Reporting & Integrity**

The Board aims to present a balanced and understandable assessment of Group's financial position and prospects, and ensures that the financial statements are of reliable source of

information for shareholders and other stakeholders. The Board will ensure that the Audit Committee obtains written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

### **8.1 Sound Risk Management Framework and Internal Control System**

The Board ensures that there is an ongoing process for identifying and managing significant risks faced by the Group. The Board believes that maintaining a sound system of internal control is based on a clear understanding and appreciation of the following key elements:-

- (a) Determining the Company's level of risk tolerance and activity identified, assessing and monitoring the key business risks to safeguard shareholders' investments and the Company's assets;
- (b) Commitment to articulate, implement and review the Company's internal control systems;
- (c) Periodic testing of the effectiveness and efficiency of the internal controls procedures and processes to be conducted to ensure that the system is viable and robust.

The Board should ensure that the Management has carried out a risk assessment review on the Company's and Group's operations, which covers all aspects of the business activities. The risk profiles including its tolerance level thereof, and risk registers are reported by the Management to the Audit Committee on an annual basis. The Chairman of the Audit Committee reports the significant risks and control issues to the Board for its consideration.

### **8.2 Enhancement to System of Internal Control**

The scope of activities of the Internal Audit Function include the following:-

- (i) Review and appraise the soundness, adequacy and application of the system of internal controls and recommend improvements thereon.
- (ii) Ascertain the extent of compliance with established policies, procedures and statutory requirements.
- (iii) Appraise the reliability, integrity and usefulness of financial and management information developed.
- (iv) Review the controls for safeguarding assets and as appropriate, verify the existence of assets; and
- (v) Identify ways and opportunities to improve the effectiveness and efficiency of the operations and processes of the Group

The adequacy and effectiveness of the internal control is assessed by adopting a systematic approach in reviewing the Group's business and operational control, risk management and governance process.

### **8.3 Internal Audit Function**

The Group has been outsourcing the Internal Audit Function to an internal audit firm to undertake regular and systematic reviews of the system of controls. The Audit Committee should ensure that the Internal Audit Function is carried out in accordance with a recognised framework and able to function independently.

The Audit Committee should also ensure that the system of internal control as established by the Management is reviewed by the internal auditors to assess the adequacy of such internal control system in relation to the objectives and make appropriate recommendations for improvement. The Management shall carry out at least a minimum of two cycles of internal audit for each financial year under review, and findings from the internal audit shall be communicated to the Audit Committee for review and endorsement.

The Audit Committee considers the report from the Internal Audit Function and Management responses, before reporting and making recommendations to the Board in strengthening the risk management and internal control systems.

### **9.0 General Meetings**

General Meetings are important avenues for shareholders to exercise their ownership rights. The Board shall facilitate the exercise of these rights and take reasonable steps to encourage shareholders participation at general meetings, by serving notices for meetings as required by law and regulation. The Board shall disclose all relevant information to shareholders to enable them to exercise their rights by attending the general meetings and vote in the appropriate manner. With effect from 1 July 2016, all resolutions set out in the notice of general meetings will be carried out by poll voting. The Board will make an announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

Moreover, the notice for an Annual General Meeting will be given to the shareholders at least 28 days prior to the meeting to facilitate greater shareholder participation.

### **10.0 Investor Relation and Effective Communication**

The Board acknowledges the need for effective investor relation and communication with shareholders and to provide them with all relevant information affecting the Company, and as such adopts an open transparent policy and the Board shall also endeavour to ensure timely release of information to shareholders. To achieve this, the Company has implemented amongst others, the following:

- i) Timely release of announcements and disclosure made in accordance to Bursa Listing Requirements to the Bursa Malaysia Securities Berhad, which includes quarterly financial results, material contracts awarded, changes in the composition of the Group and any other material information that may affect investors' decision making;
- ii) Encouraging full participation of shareholders at all Annual General Meetings to ensure a high level of accountability and discussion of the Company's strategy and goals. The Company will also invite the external auditor to attend the Annual General Meeting and be available to answer shareholders' questions about the conduct of the audit and preparation and content of the auditors' report;



- iii) Publish a summary of all key matters discussed at the annual general meeting on the Company's website as soon as practicable after the conclusion of the annual general meeting pursuant to the MMLR; and
- iv) Making available the summary of the Group's investor relation activities during the financial year and additional corporate information and/or disclosures of the Group for reference on the Company's official website.

In addition, all Directors shall attend the general meeting and allows shareholders to raise questions and concerns directly to the Chair of the Audit Committee, Nomination Committee, Remuneration Committee or any other directors to provide meaningful response to questions addressed to them.

## **11.0 Relationship With Other Stakeholders**

As a corporate citizen, the Board is cognizance of formulating strategies that promote sustainability and stakeholders' interests through internal policies. In this regard, the needs and interests of stakeholders are categorized as follows:-

### **11.1 Employees**

Employees are invaluable assets of the Company and play a vital role in helping the Company to achieve its vision and mission. The Board endeavours to provide a conducive working environment in their workplace and adopts a comprehensive and documented policies and procedures in Occupational Safety and Health with the objective of ensuring safety and health at the workplace for all employees.

### **11.2 Social Responsibility**

The Board acknowledges that the Company should pay an important role in contributing towards the welfare of the community in which it operates, and shall continuously identify opportunities supporting charitable causes and initiatives in community developments projects.

### **11.3 Environment**

The Board acknowledges the need to safeguard and minimize the impact to the environment in the course of achieving the Company's objectives. The Board's agenda reflects the commitment to economic support for longer term sustainability with a focus on the positive impact on the environment, community and society.

## **12.0 Whistle Blowing Policy**

The Group believes in adopting high standards of integrity, honesty and accountability in the conduct of its businesses and operations. The Group aspires to conduct its business affairs in the most ethical, responsible and transparent manner possible.

The Group encourages all employees and the public to disclose any improper conduct in accordance with procedures provided under the Whistle Blowing policy.

## **Objective**

The objective of this policy is to position Sanbumi Holdings Berhad and all its subsidiaries (hereinafter referred to as “the SHB Group”) in providing an avenue for its employees and/or stakeholders to raise concerns in confidence, disclose any fraud, corruption/bribery/blackmail, theft or embezzlement, misuse of Company’s property abuse of power, criminal offences, failure to comply with legal or regulatory obligation, miscarriage of justice or endangerment of an individual’s health and safety of which they become aware, and to ensure that the employee and/or stakeholder who reports allegations of such concerns will be protected from possible reprisals or retaliations if he/she has a reasonable belief that the disclosure was made in good faith.

## **Scope of Policy**

This policy is designed to facilitate employees and stakeholders a specific means to disclose or report through established channels, concerns on any improper conduct (misconduct or criminal offence).

The above list is not exhaustive and includes any act or omissions, which, if proven, will constitute an act of misconduct under the Company’s Codes of Conduct and Business Ethics or any criminal offence under relevant legislations in force.

Only genuine concerns should be reported under the Whistle Blowing procedures. This report should be made in good faith with a reasonable belief that the information and any allegation in it are substantially true, and report is not made for personal gain, malicious and false allegations by the whistle blower will be view seriously and treated as a gross misconduct and if proven may lead to dismissal or termination of the whistle blower who abuses this policy.

## **Policy Statement**

It is the policy of the SHB Group:

- (i) That the SHB Group is committed to achieving and maintaining high standards with regards to behaviour at work.
- (ii) That all SHB Group employees and stakeholders are encouraged to report promptly genuine concerns about any grievances within the scope of the Whistle Blowing policy without fear of reprisal should they act in good faith when reporting such concern. Any anonymous disclosure will not be entertained. Any employee or member of the public who wishes to report improper conduct is required to disclose his identity to the Company in order for the Company to accord the necessary protection to him. However, the Company reserves its right to investigate into any anonymous disclosure.
- (iii) That SHB Group views any harassments or retaliations in any forms or manner against genuine whistle blowers seriously and will treat such actions as gross misconduct, which

if proven, may lead to dismissal or termination of the person/ parties harassing or retaliating in any form or manner against genuine whistle blower.

- (iv) That SHB Group assures individual employee and stakeholder who raises issues of concern that he/she will be protected from any adverse impact on their employment or relationship with the SHB Group as a result of his/her reporting, provided the report is made in good faith and without malice.

## Procedures

In the case of SHB Group employees, any concern should be raised with his/ her immediate superior, and in the SHB Group stakeholders, any concern should be raised with the immediate superior of the employee concerned.

If for any reason, it is believed that this is not possible or appropriate, then the concern should be reported to Chairman of Sanbumi Holdings Berhad, and/or Managing Director of Sanbumi Holdings Berhad.

- (i) Channel of reporting to Chairman of Sanbumi Holdings Berhad:

Name : Dato' Ir. Zainurin bin Karman  
Telephone No. : 04-390 3699  
Fax No. : 04-397 9311  
E-mail address : zainurin88@gmail.com  
Mail : Mark "Strictly Confidential"  
Wisma EMC  
972 Jalan Baru  
13700 Prai  
Penang

- (ii) Channel of reporting to the Managing Director of Sanbumi Holdings Berhad:

Name : Dato' Chua Tiong Moon  
Telephone No. : 04-390 3699  
Fax No. : 04-397 9311  
E-mail address : j\_hmk@hotmail.com  
Mail : Mark "Strictly Confidential"  
Wisma EMC  
972 Jalan Baru  
13700 Prai  
Penang  
Attention: Managing Director

In the case where reporting to management is a concern, then the report should be made to the Chairman of Audit Committee. Channel of reporting to the Chairman of Audit Committee is:

Name : Mr Lim Thian Loong  
Telephone No. : 04-390 3699  
Fax No. : 04-397 9311  
E-mail address : limtlg@gmail.com  
Mail : Mark "Strictly Confidential"  
Wisma EMC  
972 Jalan Baru  
13700 Prai  
Penang  
Attention: Chairman of Audit Committee

### **Action**

- (a) All reports will be investigated promptly by the person receiving the report who should promptly report to the management, if appropriate. If required, he/she can obtain assistance from other resources within the SHB Group. The progress of investigation will be reported to the Audited Committee no later than at the next scheduled meeting.
- (b) Reports received anonymously will be treated as confidential.
- (c) The person making anonymous report will be advised that maintaining anonymity may hinder an investigation. Notwithstanding this, anonymity will be maintained as long as it is permitted by law or the person making the report indicates that he no longer wishes to remain anonymous.
- (d) Upon completion of investigation, appropriate course of action will be recommended to the Audit Committee for their deliberation. Decision taken by the Audit Committee will be implemented immediately.
- (e) Where possible, steps will be taken to prevent similar situation from arising again.
- (f) If for any reason, the person making the report is not satisfied with the way his/her report had been dealt with, he/she can escalate his/her report to the Audit Committee. Channel of reporting to the Audit Committee is:

Name : Mr Lim Thian Loong  
Telephone No. : 04-390 3699  
Fax No. : 04-397 9311  
E-mail address : limtlg@gmail.com  
Mail : Mark "Strictly Confidential"  
Wisma EMC  
972 Jalan Baru  
13700 Prai, Penang  
Attention: Chairman of Audit Committee

- (g) Chairman of the Audit Committee will deliberate the report with his Committee members and decide on the appropriate course of action.

### **13.0 Application of the Charter**

The Board Charter sets out the principles and guidelines that are to be applied in practice by the Board and its Board Committee and lay down in narrative form the role, responsibilities and functions of the proponents of good corporate governance in the Company.

The Board Charter will be reviewed annually and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter is made available for reference in the Company's official website at [www.sanbumi.com.my](http://www.sanbumi.com.my).

## Board Charter

### Appendix A

#### ROLE OF THE CHAIRMAN

The role and responsibilities of the Chairman include:-

- ❖ Leading the Board in setting its values and ethical standards of the Company
- ❖ Chairing meetings of the Board and stimulating debates on issues and encouraging positive contributions from each Board Member
- ❖ The Chairman should consult with the Managing Director and Company Secretary in setting agenda for the Board Meetings and ensures all relevant issues are on the agenda
- ❖ Ensuring Board proceedings are in compliance with good conduct and best practices
- ❖ Maintaining a relationship of trust with and between the Executive and Non-Executive Directors
- ❖ Ensuring accurate, timely and clear information to Directors are provided
- ❖ Ensuring effective communication with shareholders and relevant stakeholders
- ❖ Arranging for regular evaluation of performance of Board Members, its Committees and individual Directors
- ❖ Facilitating effective contribution of Non-Executive Directors and ensuring constructive discussions at board meetings
- ❖ In determining policies matters, the Chairman should ensure that the following are carried out:-
  - (i) All directors are properly briefed on issues arising at board meetings;
  - (ii) There is sufficient time allowed for discussion on complex or contentious issues and where appropriate, arranging for informal meetings beforehand to enable thorough preparations;
- ❖ The Chairman should allow every board resolution to be voted on and ensure the will of the majority prevails;
- ❖ The Chairman shall cast his votes in accordance with the prescribed articles of association of the Company
- ❖ In conjunction with the Managing Director, to represent the Company and/or Group to external parties such as major shareholders, creditors, consumer groups and other stakeholders
- ❖ Ensuring that all Board members, when taking up office, are fully briefed on the terms of their appointment, time commitment, duties and responsibilities, and the business of the Group
- ❖ The Chairman shall act as liaison between the Board and the Management, and in particular between the Board and the Managing Director.

## Board Charter

### Appendix B

#### ROLE OF THE MANAGING DIRECTOR

The Managing Director is accountable for the overall performance of the Company and for the day to day running and management of the company's business, under delegated authority by the Board. The Managing Director shall implement policies, strategies and decisions approved by the Board.

The role of the Managing Director can be summarised as follows:-

To the Board & Company	To the Management & Business Operation
<ul style="list-style-type: none"><li>•to develop and recommend to the Board a long-term strategy and vision for the Company and/or Group that leads to the creation of long-term prosperity and shareholders' value</li><li>•to develop and recommend to the Board the operational plan and budget that support the Company 's and/or Group's long term strategy</li><li>•to foster a corporate culture that promotes ethical practices, encourages individual integrity and for the fulfilment of the Company's corporate social responsibilities</li><li>•to maintain a positive and ethical working environment that is conducive to attracting, retaining and motivating a diverse work-force at all levels</li></ul>	<ul style="list-style-type: none"><li>•to recommend suitable management structure and operating authority levels which include delegations of responsibilities to the management</li><li>•to ensure an effective management team below the level of the Managing Director and to develop an active succession plan</li><li>•to formulate and oversee implementation of major corporate policies</li><li>•to be accountable to the Board for the financial management, reporting, including forecasts, budgets of the Company and/or Group</li><li>•to prepare reports to the Board periodically on the financial positions, key performance indicators, market conditions and business development from time to time</li><li>•to ensure continuous improvement in quality and value of the Company's products and services</li><li>•to serve as spokesperson for the Group</li><li>•to refer to the Board committees on matters requested from time to time</li></ul>

## Board Charter

### Appendix C

#### CODE OF CONDUCT FOR DIRECTORS

- ❖ To uphold the best interest of the Company and/or Group and its stakeholders;
- ❖ To have a clear understanding of the aims and objectives, capabilities and capacity of the Company;
- ❖ To devote time and effort to attend meetings and to know what is required of the Board and each of its Directors, and to discharge those functions;
- ❖ To ensure at all times that the Company is properly managed and effectively controlled;
- ❖ To stay abreast of the affairs of the Company and be kept informed of the Company's compliance with relevant legislations and contractual requirements;
- ❖ To insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management and to maintain sufficient detailed knowledge of the Company's and/or Group's business and performance and make informed business decision.
- ❖ To limit his directorship of companies to a number in which he can best devote his time and effectiveness; each director has to make his own judgement of his abilities and how best to manage his time effectively in the Company in which he holds directorship. In the case of directorships in listed issuers, he must comply with the requirements in the Listing Requirements;
- ❖ To have access to the advice and services of the Company Secretary who is responsible to the Board to ensure proper procedures, rules and regulations are complied with;
- ❖ To at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Company;
- ❖ To disclose immediately all contractual interests whether directly or indirectly with the Company and also to disclose immediately all related party transactions with the Company and the Group;
- ❖ To neither divert to his own advantage any business opportunity that the Company is pursuing nor use confidential information obtained by reason of his office for his own advantage or that of others;



- ❖ To at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties;
- ❖ To exercise independent judgment and if necessary, openly oppose, if the vital interest of the Company is at stake;
- ❖ To act with integrity, professionalism and in good faith
- ❖ To meet regularly with the Managing Director to continuously establish and approve policies
- ❖ To assess, question and challenge the policies and procedures with the intent to identify and initiate management action on issues
- ❖ To keep the Board discussions and deliberations confidential
- ❖ To act in a manner as expected of a fiduciary by not making improper use of information gained and taking improper advantage of the position as a Director
- ❖ To avoid any potential conflicts of interests arising from related party transactions, potential misuse of corporate assets, privileged information
- ❖ Not to be in competition with the Company
- ❖ To declare any potential conflict of interest

## Board Charter

### Appendix D

#### TERMS OF REFERENCE OF AUDIT COMMITTEE

##### 1. MEMBERSHIP

- 1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:-
- (a) the Committee must be composed of no fewer than 3 members, all of whom must be independent directors;
  - (b) all members of the Audit Committee shall be non-executive directors and should be financially literate; and
  - (c) at least one member of the Committee:
    - (i) must be a member of the Malaysian Institute of Accountants; or
    - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
      - (aa) he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
      - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967.
    - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
- 1.2 The members of the Committee shall elect a Chairman from among themselves who shall be an independent director. The Chairman of the Audit Committee must not be the Chairman of the Board.
- 1.3 No alternate director should be appointed as a member of the Committee.
- 1.4 A former key audit partner must observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.
- 1.5 In the event of any vacancy in the Committee resulting in the non-compliance of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors shall within three months of that event fill the vacancy.
- 1.6 The terms of office and performance of the Committee and each of its members must be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
- 1.7 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.

## **2. MEETINGS**

### **2.1 Frequency**

2.1.1 Meetings shall be held not less than four times a year.

2.1.2 Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

### **2.2 Quorum**

2.2.1 To form a quorum the majority of members present must be independent directors.

### **2.3 Secretary**

2.3.1 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

### **2.4 Attendance**

2.4.1 The Head of Finance, the Internal Auditor and a representative of the external auditors shall normally attend meetings.

2.4.2 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

2.4.3 The Committee should meet with the external auditors without any executive Board members present at least twice a year.

### **2.5 Reporting Procedure**

2.5.1 The minutes of each meeting shall be circulated to all members of the Audit Committee.

2.5.2 The Audit Committee shall report to the Board on any key issues affecting the Company and its subsidiaries.

### **2.6 Meeting Procedure**

2.6.1 The Committee shall regulate its own procedure, in particular:-

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

2.6.2 The notice of each meeting confirming the date, time, venue and agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Audit Committee at least 5 business days in advance of each scheduled meeting date. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

### **3. RIGHTS**

3.1 The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of Company, whenever deemed necessary.

### **4. FUNCTIONS**

The Committee shall, amongst others, discharge the following functions:

4.1 To view:-

- (a) the quarterly results and year- end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
  - (i) the going concern assumption;
  - (ii) changes in or implementation of major accounting policy changes;
  - (iii) significant and unusual events; and
  - (iv) compliance with accounting standards and other legal requirements.
- (b) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions or management integrity.
- (c) with the external auditors:
  - (i) the audit plan;
  - (ii) his evaluation of the system of internal controls;
  - (iii) his audit report;
  - (iv) his management letter and management's response; and
  - (v) the assistance given by the Company's employees to the external auditors.
- (d) financial reporting process, detection of financial irregularities, to ascertain that the financial statements are consistent with operational information.

4.2 To monitor the management's risk management practices and procedures.

4.3 In respect of the appointment of external auditors:

- (a) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
- (b) to consider the nomination of a person or persons as external auditors and to determine the audit fee;
- (c) to conduct annual assessment on the suitability, objectivity and independence of the external auditor through established policies and procedures;

- (d) to consider any questions of resignation or dismissal of external auditors.
- 4.4 In respect of the internal audit function:
- (a) to review the adequacy of the scope, functions, budget, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work and that it reports directly to the Audit Committee;
  - (b) to review the internal audit programme, processes, the results of the internal audit assessment processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (c) to review any appraisal or assessment of the performance of members of the internal audit function;
  - (d) to approve any appointment or termination of senior staff members of the internal audit function; and
  - (e) to inform itself of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.
- 4.5 To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.
- 4.6 To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

**TERMS OF REFERENCE OF NOMINATION COMMITTEE**

**1.0 Authority and General Scope**

- 1.1 The Board has constituted the Nomination Committee with the authorities necessary to perform the duties as outlined in these Terms of Reference.
- 1.2 The Nomination Committee is authorised to assess and propose new nominees for the Board and further empowered to assess the existing directors on an on-going basis. The actual decision as to who shall be appointed shall be the responsibility of the full Board after considering the recommendations of the Nomination Committee.
- 1.3 The Nomination Committee in carrying out its tasks under these Terms of Reference may obtain such external or other independent professional advice as it considers necessary to carry out its duties.
- 1.4 The Board will ensure that the Nomination Committee will have access to professional advice both internally and externally at the Company's expense in order for it to perform its duties.
- 1.5 These Terms of Reference should be reviewed annually and be amended as required, subject to the approval of the Board.

**2.0 Membership**

- 2.1 The Nomination Committee shall consist of not less than 3 Directors appointed by the Board of Directors, all of whom should be exclusively Non-Executive Directors, a majority of whom must be independent.
- 2.2 The Chairman of the Nomination Committee shall be appointed by the Board and he should be the senior independent director as identified by the Board. In the absence of the Committee Chairman, the remaining members present shall elect one of their members, who shall be an Independent Non-Executive Director to chair the meeting.
- 2.3 If the number of members, for whatever reasons, falls below three (3), the Board of Directors shall, within three (3) months of the event, appoints such number of new members as may be required to make up the minimum number of three (3) members.
- 2.4 A member who wishes to retire or resign from the Nomination Committee, while he is still a member of the Board, shall notify the Board in writing by giving at least three (3) months' notice, unless waived or shortened by the Board.
- 2.5 The office of a member shall become vacant upon the member's resignation/retirement/removal or disqualification as a Director of the Company, or as determined by the Board.

2.6 The Nomination Committee shall have no executive powers.

### 3.0 **Duties and Responsibilities**

- 3.1 Recommend to the Board, candidates for directorship and Board Committee membership and senior management taking into consideration the candidates' skills, knowledge, expertise, experience, professionalism, integrity and women candidates shall be sought as part of its recruitment exercise. In the case of candidates for the position of independent non-executive directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.
- 3.2 The Nomination Committee shall also consider candidates for directorships and senior management proposed by the Managing Director and within the bounds of practicality, by any other senior management or any director or shareholder or through independent sources.
- 3.3 To determine the core competencies and skills required of Directors to best serve the business and operations of the Group as a whole and the optimum size of the Board to reflect the desired skills and competencies.
- 3.4 Assess, review and recommend to the Board, candidates to fill the seats on Board Committees. In assessing suitability of candidates, the qualities to look for are competencies, commitment, contribution and performance.
- 3.5 The Nomination Committee shall ensure that time commitment is obtained from a Director on his appointment and the expectations are met.
- 3.6 To evaluate and recommend the appointment of senior executive positions, including that of the Managing Director or Chief Executive and their duties and the continuation (or not) of their service.
- 3.7 Regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustment that are deemed necessary.
- 3.8 To ensure that the positions of the Chairman and Managing Director are held by different individuals.
- 3.9 Review the size and core competencies of Non-Executive Directors, Board balance and determine if additional Directors are required and also to ensure that at least one-third (1/3) of the Board is independent.
- 3.10 Assist the Board to do an annual assessment of independence of its Independent directors and also ensure that the tenure of the Independent directors do not exceed a cumulative term 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.

- 3.11 Assist the Board to implement a procedure to be carried out by the NC for annual assessment on the effectiveness of the Board and the Board Committee as a whole. Conduct an annual review the term of office and performance of an audit committee and each of its members to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference. All assessments and evaluation carried out by the NC in the discharge of all its functions should be properly documented.
- 3.12 Conduct an annual review on the Board members, Managing Director and Chief Financial Officer on the required mix of skills, character, experience, integrity, competence and time to effectively discharge their roles.
- 3.13 Establish a clear succession plan and periodically reporting to the Board on succession planning for the Board Chairman and Managing Director. The NC should work with the Board to evaluate potential successors including considering independent sources to identify suitably qualified candidates.
- 3.14 Recommend Directors who are retiring by rotation under the Articles of Association to be put forward for re-election.
- 3.15 Have due regard to the principles of governance and code of best practice.
- 3.16 Keep under review the leadership needs of the organization with a view of ensuring the continued ability to compete effectively in the organization's marketplace.
- 3.17 Facilitate board induction and training for newly appointed Directors.
- 3.18 Review training needs for the Board.
- 3.19 Propose to the Board the responsibilities of non-executive Directors, including membership and Chairpersonship of Board Committees.
- 3.20 Review its own performance, at least once a year, and recommend any necessary changes to its Terms of Reference.

#### 4.0 **Meetings**

The Company Secretary shall be the secretary of the Committee.

##### 4.1 **Frequency of meetings and attendance**

- 4.1.1 Meetings of the Nomination Committee will be held as the Nomination Committee deems to be appropriate; however, the NC should meet at least once a year.
- 4.1.2 Meetings should be organised so that attendance is maximised.



4.1.3 A meeting may be called, at any other time, by the Chairman of the Nomination Committee or any member of the Nomination Committee. Any Director or management may be invited to the meetings.

#### 4.2 Quorum and voting

4.2.1 The quorum for decisions of the Nomination Committee shall be any two (2) members, including at least one independent Director, present and voting on the matter for decision.

4.2.2 Each member present shall have one vote. All resolutions passed in the meeting shall be by majority votes. If the votes for and against a resolution are equal, the Chairman of the meeting shall have a casting vote.

4.2.3 The notice of each meeting confirming the date, time, venue and agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Nomination Committee at least 5 business days in advance of each scheduled meeting date. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

#### 4.3 Minutes of Meetings

4.3.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Nomination Committee, including the names of those present and in attendance.

4.3.2 Minutes of all meetings shall be confirmed by the Chairman of the meeting and circulated to all the members of the NC. Such minutes signed by the Chairman of the Nomination Committee shall be conclusive evidence without any further proof of the facts thereon stated.

4.3.3 The minutes shall be circulated to other members of the Board. Any Director may, provided that there is no conflict of interest and with the agreement of the Chairman, obtain copies of the Nomination Committee's minutes.

#### 4.5 Annual General Meeting

The Chairman (or in his absence, an alternate to the member of the Nomination Committee) of the Nomination Committee shall attend the Annual General Meeting and be prepared to answer questions concerning the appointment of executive and non-executive Directors and the Nomination Committee's scope.

#### 5.0 Reporting Procedures

5.1 The Nomination Committee is authorised to regulate its own procedures and in particulars the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

5.2 The minutes of meetings shall be circulated by the Secretary of the Committee to the Committee members. The Chairman of the Committee shall report to the Board after each Nomination Committee meeting.

5.3 The Nomination Committee shall liaise with the Board to produce a Nomination Committee's report to be included in the Company's annual report about its activities, nomination and election process of board members and any other information as the Nomination Committee deems necessary to assist the Board in making disclosure in the annual report in accordance with the Best Practices of the Malaysian Code on Corporate Governance.

#### **6.0 Roles and responsibilities of Senior Independent Director**

- (i) Acts as a sounding board to the chairman (e.g. offer counsel to the chairman on matters such as board dynamics and concerns of stakeholders);
- (ii) Serves as an intermediary for other directors when necessary (e.g. facilitate confidential discussions with directors who may have concerns which they believe have not been properly considered by the board or which they feel may not be appropriate to raise in open forum or with the chairman directly);
- (iii) Acts as point of contact for shareholders and other stakeholders particularly on concerns which cannot be resolved through the normal channels of the chairman and/or chief executive officer;
- (iv) Provides leadership support and advice to the board in the event that the board is undergoing a period of stress (e.g. conflict between the chairman and chief executive officer or the strategy being followed by the chairman and/or executive officer is not supported by the Board); and
- (v) Leads the succession planning and appointment of board members, including the future chairman and chief executive officer; and leads the annual review of board effectiveness, ensuring that the performance of each individual director is assessed objectively and holistically (i.e. the views of all the directors are obtained in an impartial manner).

**TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

**1.0 Authority and General Scope**

- 1.1 The Board has constituted the Remuneration Committee with the authorities necessary to perform the duties and responsibilities as outlined in these Terms of Reference.
- 1.2 The RC in carrying out its tasks under these terms of reference may obtain external legal or other independent professional advice, as it considers necessary and reasonable to carry out its duties, at the expense of the Company.
- 1.3 The Board will ensure that the Remuneration Committee has sufficient resources to undertake its duties, including access to the services of the Company Secretary on all Remuneration Committee matters, seek any information it requires from employees, company officers and external parties.
- 1.4 The Board as a whole determines the remuneration of the Executive and Non-Executive Directors (including Non-Executive Chairman). Individual directors abstain from discussion on their own remuneration packages. The Directors who are shareholders should abstain from voting at General Meetings to approve their fees.
- 1.5 These terms of reference should be reviewed annually and be amended as required, subject to the approval of the Board.

**2.0 Membership**

- 2.1 The Remuneration Committee shall be appointed by the Board of Directors from amongst their members and comprising only Non-Executive Directors. The Remuneration Committee shall consist of not less than three (3) members, with a majority of them being independent directors.
- 2.2 The Chairman shall be appointed by the Board. In the absence of the Committee Chairman, the Committee shall elect a Chairman from amongst their number who shall be Independent Non-Executive Director.
- 2.3 If the number of members, for whatever reasons, falls below three (3), the Board of Directors shall, within three (3) months of the event, appoints such number of new members as may be required to make up the minimum number of three (3) members.
- 2.4 A member who wishes to retire or resign from the Remuneration Committee, while he is still a member of the Board, shall notify the Board in writing by giving at least three (3) months' notice, unless waived or shortened by the Board.

2.5 The office of a member shall become vacant upon the member's resignation/retirement/removal or disqualification as a Director of the Company.

### 3.0 **Duties and Responsibilities**

3.1 Develop and agree with the Board the framework remuneration policy for the Directors and senior management with the aim to attract, retain and motivate high calibre individuals required by the Board on long term basis and so structured as to align their interests with those of the Company and its shareholders.

3.2 Review and make recommendations to the Board the remuneration packages and other terms of employment for each of the Managing Director, Executive Directors and senior management, taking into account the market rates so as to link rewards to the Group and individual performance, drawing from external advice as necessary. The Executive Directors should play no part in the decisions of their own remuneration.

3.3 To review and recommend to the Board the remuneration packages for Non-Executive Directors, taking due account of their experience and degree of responsibilities undertaken.

3.4 To review indemnity and liability insurance policies for the Directors and Officers of the Company.

3.5 To carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the Remuneration Committee by the Board of Directors from time to time as to be in line with the directions of the Board.

3.6 Review the on-going appropriateness and relevance of the remuneration policy.

3.7 To consider and examine such other matters as the Remuneration Committee considers appropriate.

### 4.0 **Meetings**

The Company Secretary shall be the secretary of the Committee.

#### 4.1 **Frequency of meetings and attendance**

4.1.1 The meetings shall be held at least once a year. Additional meetings may also be held by the Remuneration Committee to discuss other issues, which the Remuneration Committee considers necessary.

4.1.2 Meetings should be organised so that attendance is maximised.

4.1.3 The Remuneration Committee shall have full discretion with regard to the calling of the meetings and the proceedings thereat and may invite any Director or management to its meetings.

#### 4.2 Quorum and voting

- 4.2.1 The quorum necessary for the transaction of business shall be two (2), of whom at least one must be an Independent Director. A duly convened meeting of the Remuneration Committee at which a quorum is present shall be competent to exercise all or any of the authorities, power and discretion vested or exercisable by the Committee.
- 4.2.2 Each member present shall have one vote. All resolutions passed in the meeting shall be by majority votes. If the votes for and against a resolution are equal, the Chairman of the meeting shall have a casting vote.

#### 4.3 Notice of Meetings

- 4.3.1 Meetings of the Remuneration Committee shall be arranged by the Secretary at the request of the RC Chairman or any other member of the Remuneration Committee.
- 4.3.2 The notice of each meeting confirming the date, time, venue and agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Remuneration Committee at least 5 business days in advance of each scheduled meeting date. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

#### 4.4 Minutes of Meetings

- 4.4.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Remuneration Committee, including the names of those present and in attendance.
- 4.4.2 Minutes of all meetings shall be confirmed by the Chairman of the meeting and circulated promptly to all members of the RC, once agreed, to all members of the Board, unless a conflict of interest exists.

#### 5.0 Reporting Procedures

- 5.1 The Remuneration Committee is authorised to regulate its own procedures and in particulars the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.
- 5.2 The minutes of meetings shall be circulated by the Secretary of the Committee to the Committee members. The Chairman of the Committee shall report to the Board after each Remuneration Committee meeting.
- 5.3 The Remuneration Committee shall produce a report on the Company's remuneration policy and practices which will form part of the Company's annual report and ensure each year that it is put to shareholders for approval at the Annual General Meeting.

#### 6.0 Advisors

- 6.1 The Committee is authorized by the Board to appoint internal or external professional advisors as and when it is considered necessary.