

# MALAYAN FLOUR MILLS BERHAD

## BOARD CHARTER

*The philosophy of the Company is to be consistent in the QUALITY of its production and service, UNITY of staff and management and the pursuance of PROGRESS in the various aspects.*

### 1. PREAMBLE

The Directors of Malayan Flour Mills Berhad (“MFM”) regard Corporate Governance as vitally important to the success of the Company's business and are unreservedly committed to applying the principles necessary to ensure that good governance is practised in all of its business dealings in respect of its shareholders and relevant stakeholders:

- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible for the company achieving the highest level of business conduct.
- This Board Charter shall constitute, and form, an integral part of each Director's appointment letter.
- The Board is the focal point of the Company's Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the Company.

### 2. PURPOSE

The purpose of this Board Charter is to regulate how business is to be conducted by the Board in accordance with the principles of good Corporate Governance. The Board Charter sets out the specific responsibilities to be discharged by the Board members collectively, and the individual roles expected from them.

### 3. OBJECTIVES

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the company are aware of their duties and responsibilities as Board members and the various legislation and regulations affecting their conduct and to ensure that the principles of good Corporate Governance are applied in all their dealings in respect, and on behalf, of the Company.

In pursuit of the ideals in this Board Charter, the intention is to exceed "minimum requirements" with due consideration to recognised standards of best practice locally and internationally.

### 4. BOARD LEADERSHIP

4.1. There are two key tasks at the top of a company, the running of the Board and the executive responsibility for the running of the Company's business. There should be a clear division of responsibilities at the head of the Company to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

4.2. The Board should provide leadership and vision to the Company in a way that will enhance shareholder value and ensure long-term sustainable development and growth of the Company.

4.3. The roles of Chairman and Executive Deputy Chairman cum Managing Director ("EDC cum MD") are separate, with responsibilities divided between them.

#### 4.4. **The Chairman**

4.4.1. The Chairman has no executive functions.

4.4.2. The Chairman is responsible for representing the Board to the shareholders and indirectly to the general public for performance.

4.4.3. The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board.

4.4.4. The Chairman must ensure that the content and order of the agenda are appropriate and that the members of the Board have the relevant papers in good time. The Chairman must also ensure that the Board members are properly briefed on issues arising at board meetings and that all available information on an issue is before the Board.

- 4.4.5. The Chairman is responsible for maintaining regular dialogue with the EDC cum MD over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him or her cause for major concern.
- 4.4.6. The Chairman will act as facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes.
- 4.4.7. Between Board meetings the Chairman shall maintain an informal link between the Board and the EDC cum MD, expect to be kept informed by the EDC cum MD on all important matters, and is available to the EDC cum MD to provide counsel and advice where appropriate.

#### **4.5. The Executive Deputy Chairman cum Managing Director**

- 4.5.1. The Board will link the Company's governance and management functions through the EDC cum MD.
- 4.5.2. The Board will appoint the EDC cum MD and set the terms of his or her employment contract.
- 4.5.3. The task of the EDC cum MD is to run the business and to implement the policies and strategies adopted by the Board.
- 4.5.4. The EDC cum MD must supervise and control the general management and operation of the Company and its subsidiaries.
- 4.5.5. All Board authority conferred on management is delegated through the EDC cum MD, so that the authority and accountability of management is considered to be the authority and accountability of the EDC cum MD so far as the Board is concerned. The Board must agree to the levels of sub-delegation immediately below the EDC cum MD.
- 4.5.6. The Board will agree with the EDC cum MD the specific results directed toward the company achieving its goals. The performance objectives will be structured into quantified organisational achievement and personal achievement against defined targets agreed between the EDC cum MD and the Board.

- 4.5.7. Only decisions of the Board acting as a body are binding on the EDC cum MD. Decisions or instructions of individual members of the Board, officers or committees are not binding except in those instances where specific authorisation is given by the Board.
- 4.5.8. The EDC cum MD is accountable to the Board for the achievement of the Company goals and the EDC cum MD is accountable for the observance of the management limitations.
- 4.5.9. The EDC cum MD is expected to act within all specific authorities delegated to him by the Board.
- 4.5.10. The EDC cum MD is expected to not cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics and not to cause or permit any action that does not take into account the health, safety, environmental and political consequences and their effect on long-term shareholder value.
- 4.5.11. The EDC cum MD, with the management team, is expected to ensure that the assets of the company are adequately maintained and protected, and not unnecessarily placed at risk. The Company must be operated with a comprehensive system of internal control, and assets or funds must not be received, processed or disbursed without controls that, as a minimum, are sufficient to meet standards consistent with the company's risk management policies and processes and that are acceptable to the Company's external auditors. In managing the risks of the company, the EDC cum MD is expected to not cause or permit anyone to substitute their own risk preferences for those of the shareholders as a whole.
- 4.5.12. The EDC cum MD is expected to not permit employees and other parties working for the company to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.
- 4.5.13. The EDC cum MD is expected to not cause or permit payments to be made or rewards given unless they are in return for contributions towards the purposes of the business and are proportional to the extent that the contribution in question has furthered such purposes.

## 5. COMPOSITION OF THE BOARD

- 5.1. The Company has a unitary board, currently consisting of two Executive Directors and seven Non-Executive Directors of whom three are independent and thus obtain the desired level of objectivity and independence in Board deliberations and decision-taking.
- 5.2. An Executive Director is considered an individual who:
  - 5.2.1. is involved in the day-to-day management of the Company; and/or
  - 5.2.2. is a full-time salaried employee of the Company and/or its subsidiaries.
- 5.3. A Non-Executive Director is considered an individual who:
  - 5.3.1. is not involved in the day-to-day management of the Company; and/or
  - 5.3.2. is not a full-time salaried employee of the Company or its subsidiaries.
- 5.4. An Independent Director is considered an individual who:
  - 5.4.1. is not, and has not been within the last 3 years, an officer of the Company or any related corporation of the Company. For this purpose, “officer” shall have the meaning given in section 2 of the Companies Act 2016 but excludes a director who has served as an independent director in the Company or related corporation for a cumulative period of less than 12 years;
  - 5.4.2. is not a major shareholder of the Company;
  - 5.4.3. is not a family member of any executive director, officer or major shareholder of the Company. For this purpose, “family” means the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child;
  - 5.4.4. is not acting as a nominee or representative of any executive director or major shareholder of the Company;
  - 5.4.5. has not been engaged as an adviser by the Company under such circumstances as prescribed by the Exchange or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation (“the Entity”) which provides professional advisory services to the Company under such circumstances as prescribed by the Exchange;

- 5.4.6. has not engaged in any transaction with the Company under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the Company under such circumstances as prescribed by the Exchange; or
- 5.4.7. has not served as an independent director in the Company and/or its related corporation for a cumulative period of more than 12 years from the date of his first appointment as an independent director.
- 5.5. Procedures for appointments to the Board should be formal and transparent. The Nomination Committee is responsible for the assessment and nomination of potential new directors.
- 5.6. The Board shall define an appropriate division of duties and responsibilities on the Board, identifying key roles and performance standards for Board members and ensure that Board members clearly understand these functions.
- 5.7. The Board is willing to consider members of management appointed to the Board in addition to the EDC cum MD. However, the Board believes that management should encourage senior management to understand that Board membership is not necessary or a prerequisite to any higher management position in the Company.
- 5.8. Qualifications for membership of the Board are based on the fit and proper criteria set out in the Directors' Fit and Proper Policy.
- 5.9. Key competencies required for non-executive directors include:
  - 5.9.1. to contribute an independent view to matters under consideration;
  - 5.9.2. an ability to add value to Board deliberations;
  - 5.9.3. to add to the breadth and depth of experience of the Board;
  - 5.9.4. an ability to clearly communicate;
  - 5.9.5. an ability to demonstrate a wide, and unfettered, perspective on issues and bring to the Board integrity and a strong sense of ethics;
  - 5.9.6. organisational and strategic awareness and an appropriate level of financial literacy;

- 5.9.7. a knowledge of the responsibilities of a director; and
- 5.9.8. an ability to constructively collaborate as part of a team contributing towards the successful performance of the company.

**5.10. Size of the Board**

- 5.10.1. The size of the Board is dictated by the company's Constitution ("Constitution"), which permits a maximum of fifteen directors to be appointed to the Board and the minimum of two directors.
- 5.10.2. The Board composition must be sufficient to:
  - 5.10.2.1. ensure a wide range of skills and knowledge, views and experience, such that the common purpose, involvement, participation, harmony and sense of responsibility of Board members is not jeopardised; and
  - 5.10.2.2. achieve the balance of skills, experience, and professional and industry knowledge necessary to meet the company's strategic objectives.

**5.11. Time period of office**

- 5.11.1. Subject to Clause 5.11.4, Board members, both independent and non-independent, have no fixed term of appointment, but retire by rotation every three years.
- 5.11.2. New Board members will only hold office until the next annual general meeting at which they will retire and become available for election.
- 5.11.3. All Board members are subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with Paragraph 7.26 of the Listing Requirements of the Exchange, the Constitution of the Company and the Companies Act 2016.
- 5.11.4. The tenure of an independent director is limited to not more than a cumulative period of 12 years from the date of his or her first appointment as an independent director. Thereafter, this director must resign or re-designated as non-independent director.

- 5.11.5. Termination of a service/employment contract will result in resignation from the Board, unless the Board determines otherwise.

## 5.12. **Reward System**

- 5.12.1. The Board will determine the level of remuneration paid to directors within any limitations imposed by shareholders.
- 5.12.2. Levels and make-up of remuneration should be sufficient to attract and retain the Board members needed to run the company successfully, but the company should avoid paying more than is necessary for this purpose.
- 5.12.3. Non-executive directors receive no share options (unless specific shareholders' approval is obtained) nor significant benefits from the Company. They will be remunerated as follows:
- 5.12.3.1. directors' fee as ordinary remuneration, which is subject to shareholders' approval;
  - 5.12.3.2. additional remuneration (a fixed allowance) - as Chairman of a board committee;
  - 5.12.3.3. additional remuneration (a fixed allowance) - as a member of a board committee; and
  - 5.12.3.4. additional remuneration (an extra fee) - for any special service as a Board member.
- 5.12.4. Non-executive directors will be paid meeting allowance for each Board and Committee meeting they attend.
- 5.12.5. In addition, the Company reimburses reasonable expenses incurred by the Board members in the course of discharging their duties.
- 5.12.6. A non-executive director shall receive a sum of two years' fees after ten years of service or such pro-rated sum for every year of completed service on the Board as retirement gratuity.
- 5.12.7. The Chairman of the Board will be paid a level of fee appropriate to his or her office as well as entitles to the Company's car benefit.



- 5.12.8. The EDC cum MD 's remuneration will depend on the achievement of the goals set at the beginning of each year. The goals are divided between quantified organisational achievement and personal achievement (see 4.5.6).
- 5.12.9. Remuneration will be reviewed annually by the Board after taking independent advice.
- 5.12.10. A formal and transparent procedure must be established for developing policy on executive remuneration and for fixing the remuneration packages of individual Board members.
- 5.12.11. No Board member will be involved in deciding his own remuneration.
- 5.12.12. The Board should report to the shareholders on the remuneration and this should be included in the annual report and accounts.

### 5.13. **Induction of new directors**

- 5.13.1. The Nomination Committee is responsible for the assessment and nomination of potential new directors.
- 5.13.2. On appointment, non-executive directors will have the benefit of an induction programme aimed at deepening their understanding of the company and the business environment and markets in which the company operates that includes background material, meetings with senior management and visits to the company's facilities. The induction programme will entail the following:
  - 5.13.2.1. knowledge of the company (ownership power, rules, regulations and company law, board structure, membership and processes);
  - 5.13.2.2. knowledge of the business (business processes, corporate strategies, organisation, management and people);
  - 5.13.2.3. knowledge of the financials (annual accounts, directors' reports, trends of the key financial ratios and financial performance of the business); and
  - 5.13.2.4. expectations on appointment (discussions with Chairman with regards to the role, why nominated, potential contributions, particular knowledge, etc.).

- 5.13.3. As part of the induction programme, newly appointed non-executive directors will receive induction material which contain essential Board and company information.
- 5.13.4. New Board members with no or limited board experience shall receive development and education to inform them of their duties, including fiduciary responsibilities, powers and potential liabilities.
- 5.13.5. All Board members are expected to keep themselves abreast of changes and trends in the business and in the company's environment and markets, which shall include changes and trends in the economic, political, social and legal climate generally.

#### 5.14. **Succession planning**

- 5.14.1. The Board as a whole shall be responsible, in fact as well as procedure, for selecting its own members and in recommending them for election or re-election by the shareholders and to select, monitor, evaluate and replace the EDC cum MD and other senior executives when necessary.
- 5.14.2. The Board has delegated the screening process involved to the Remuneration and Nomination Committees with the direct input from the Chairman of the Board and the EDC cum MD (as appropriate).
- 5.14.3. There shall be reports annually by the EDC cum MD to the Board on senior management succession planning, also providing details of the company's programme for management development. There shall also be available, on a continuing basis, the EDC cum MD's recommendations as a successor should he or she be unexpectedly disabled.
- 5.14.4. Board continuity, subject to performance and eligibility for re-election, is imperative. A programme ensuring a staggered rotation of Board members is in place to obtain infusion of fresh thinking and relevant mix of skills and experience.

### 6. **ROLE OF THE BOARD**

- 6.1. The Board's primary responsibilities, based on a predetermined assessment of materiality, include giving strategic direction to the Company, identifying key risk areas and key performance indicators of the Company's business, monitoring investment decisions,

considering significant financial matters, and reviewing the performance of executive management against business plans, budgets and industry standards.

6.2. The Board is explicitly responsible for the stewardship of the company and in discharging its obligations, the Board assumes responsibility in the following areas:

6.2.1. committed and responsible towards the governance of sustainability of the Company including setting the sustainability strategies, priorities and targets;

6.2.2. retain full and effective control over the company, and monitor management in implementing Board plans and strategies;

6.2.3. ensure that a comprehensive system of policies and procedures is operative;

6.2.4. identify and monitor non-financial aspects relevant to the business;

6.2.5. ensure ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and the company's own governing documents and codes of conduct;

6.2.6. strive to act above and beyond the minimum requirements and benchmark performance against international best practices and not only to comply in practice, but be seen to comply;

6.2.7. define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions;

6.2.8. act responsibly towards the company's relevant stakeholders; and

6.2.9. be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principles is reviewed regularly.

6.3. Having regard to its role, the Board is concerned with key elements of the sustainability and governance processes underpinning the operation of the company with particular attention to the following:

6.3.1. Takes appropriate actions to stay abreast with and understand the sustainability issues relevant to the Company and its business, including climate-related risks and opportunities;

- 6.3.2. review the strategic direction of the company and adopt business plans proposed by management for the achievement thereof;
  - 6.3.3. approve specific financial and non-financial objectives and policies proposed by management;
  - 6.3.4. review processes for the identification and management of business risk and processes for compliance with key regulatory and legal areas;
  - 6.3.5. delegate authority for capital expenditure and review investment, capital and funding proposals reserved for Board approval;
  - 6.3.6. review succession planning for the management team and endorse senior executive appointments, organisational changes and high level remuneration issues;
  - 6.3.7. provide oversight of performance against targets and objectives; and
  - 6.3.8. provide oversight of reporting to shareholders on the sustainability, direction, governance and performance of the company as well as other processes that need reporting and other disclosure requirements.
- 6.4. The day-to-day management will be in the hands of the EDC cum MD and management which would include inter alia but not limited to the signing of cheques by non-executive directors where primary responsibility lies with the management to ensure the authenticity as well as accuracy of the payment vouchers.

## **7. BOARD GOVERNANCE**

### **7.1. Board procedures**

- 7.1.1. The conduct of Board members will be consistent with their duties and responsibilities to the company and thus to the shareholders.
- 7.1.2. The directors will always act within limitations imposed by the Board on its activities.
- 7.1.3. Directors' responsibilities and limitations are primarily set out in the Constitution, the Companies Act 2016, the Listing Requirements of the Exchange, and Board and/or shareholders' resolutions.

- 7.1.4. The Board shall be disciplined in carrying out its role, with the emphasis on strategic issues and policy.
- 7.1.5. The Board's discussions will be open and constructive. The Chairman will seek a consensus in the Board but may, where considered necessary, call for a vote. Discussions and records will remain confidential unless a specific direction from the Board to the contrary.
- 7.1.6. The Board has sole authority over its agenda, however, any Board member may request an addition of an item on the agenda.
- 7.1.7. The Board members are entitled to have access, at reasonable times, to all relevant company information and to senior management to assist them in the discharge of their duties and responsibilities to enable them to take informed decisions.
- 7.1.8. The Board members are expected to strictly observe the provisions of the Statutes applicable to the use and confidentiality of company information.
- 7.1.9. At each Board meeting the Board shall, *inter alia*, consider:
  - 7.1.9.1. an operational report from the EDC cum MD;
  - 7.1.9.2. a report from the Chief Financial Officer;
  - 7.1.9.3. reports on the activities from the company's individual business units;
  - 7.1.9.4. specific proposals for capital expenditure and acquisitions; and
  - 7.1.9.5. major issues and strategic opportunities for the company.
- 7.1.10. There will be a procedure agreed by the Board for the furtherance of their duties to take independent professional advice, if necessary, at the company's expense.

7.2. At intervals of not more than one year, the Board will:

- 7.2.1. review and evaluate the present and future strengths, weaknesses and opportunities in respect of the company. Comparisons with competitors, locally and internationally, and best practice are important elements of this process;

- 7.2.2. review and approve the company's financial objectives, plans and actions and significant allocation and expenditure;
- 7.2.3. review the company's goals and the strategies for achieving the company's goals;
- 7.2.4. approve the annual budget;
- 7.2.5. approve the annual financial statements, annual report, other reports to shareholders and public announcements;
- 7.2.6. consider and, if appropriate, declare or recommend the payment of dividends;
- 7.2.7. review the Board's composition, structure and succession;
- 7.2.8. review the company's audit requirements;
- 7.2.9. review the performance of, necessity for and composition of the Board's committees;
- 7.2.10. review the Chairman's remuneration;
- 7.2.11. review the EDC cum MD's remuneration;
- 7.2.12. review the directors' remuneration;
- 7.2.13. review remuneration policies and practices in general, including superannuation and incentive schemes for management;
- 7.2.14. review risk assessment policies and controls, including compliance with legal and regulatory requirements;
- 7.2.15. review the company's codes of conduct and ethical standards;
- 7.2.16. review shareholder, client and other relevant stakeholder relations; and
- 7.2.17. settle the following year's work plan for the Board.

## 8. BOARD COMMITTEES

- 8.1. The Board is authorised to form committees and Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making to assist the Board in the execution of its duties, power and authorities. Delegating authority to Board committees or management does not in any way mitigate or dissipate the discharge by the Board of their duties and responsibilities.
- 8.2. There shall be transparency and full disclosure from the Board committees to the Board, except where the committee has been mandated otherwise by the Board.
- 8.3. Board committees will observe the same rules of conduct and procedures as the Board, unless the Board determines otherwise.
- 8.4. Board committees will only speak or act for the Board when so authorised. The authority conferred on a Board committee will not derogate from the authority delegated to the EDC cum MD by the Board.
- 8.5. The Board has three standing committees, namely the Audit & Risk Management Committee, Remuneration Committee and Nomination Committee.
- 8.6. The purpose and membership of the Board committees are as follows:
  - 8.6.1. Audit & Risk Management Committee
    - 8.6.1.1. The Committee shall consist of not less than three directors, all of whom shall be non-executive directors, with a majority of them being independent directors. It shall be chaired by an independent non-executive director.
    - 8.6.1.2. The duties of the Committee shall include the following :
      - a) The Chairman of the Committee shall report to the Board after each Committee meeting, including any findings and recommendations of the Committee.
      - b) Risk Management & Internal Control:
        - The primary objective of the Committee is to assist the Board of Directors in the discharge of its statutory and fiduciary responsibilities by identifying significant risks and ensuring that the Group Risk Management Framework ("RMF") includes the necessary policies and mechanisms to manage the overall risk exposures of the Group.

- To provide oversight, direction and counsel to the risk management process, specifically to ensure that appropriate risk management policies, guidelines and processes are implemented and to consider whether response strategies (and contingency plans) to manage or mitigate material risks are appropriate and effective given the nature of the identifiable risks.

c) Financial Reporting

- To review and evaluate financial and accounting policies and adequacy of management controls instituted.
- To review the quarterly and year-end financial statements, before the approval by the Board of Directors, focusing particularly on:
  - Any changes in or implementation of major accounting policy changes;
  - Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - Compliance with applicable accounting standards and other legal and regulatory requirements.

d) Internal Audit & Risk Management function:

- To ensure the maintenance of an Internal Audit & Risk Management Department and review the adequacy of the internal audit & risk management scope, functions, competency and resources and that it has the necessary authority to carry out its work.
- To review the Internal Audit & Risk Management reports and to ensure that appropriate and prompt remedial action is taken by the management based on agreed recommendations.
- To recommend the appointment, transfer or dismissal of the Internal Audit & Risk Management staff.
- To approve the remuneration of the Head of Internal Audit & Risk Management.
- To approve the budget for the Internal Audit & Risk Management Department.
- To approve the Audit Plan and review performance in relation to the Plan.
- To undertake Quality Assurance Review of the Internal Audit & Risk Management function to ensure that its core competencies are adequate.



e) External Auditors:

- To review with the external auditors, their audit plan, evaluation of the system of internal controls and audit report.
- To evaluate the quality of external auditors and make recommendations concerning their appointment, re-appointment, resignation and dismissal.
- To review and monitor the suitability and independence of the external auditors.
- To review major audit findings and opinions of the external auditors and the management's responses.
- To review the assistance given by the Group's officers to the external auditors.

f) Conflict of Interest and Related Party Transactions

To review the related party transactions and conflict of interests' situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

g) Sustainability Report:

- To review the effectiveness of the MFM Group's strategies, policies, principles and practices relating to sustainability and operational excellence on a regional-wide basis, including whether these strategies, policies, procedures and processes promote the Group's sustainability agenda.

h) Governance

- To oversee the implementation of the Anti-Corruption policies and procedures of the Group and review the policies and procedures at least once every 3 years to assess their effectiveness.
- To review the Whistle Blowing policies and procedures of the Group at least once every 3 years to assess their effectiveness.
- To review the Audit & Risk Management Committee Report and Statement on Risk Management and Internal Control, prior to the approval by the Board of Directors for inclusion in the Annual Report.
- To review the Terms of Reference of the Committee from time to time, prior to the approval by the Board of Directors for the revised terms.
- To review compliance with government regulations.

- i) Other Matters
  - To consider and examine such other matters as the Committee considers appropriate or as authorised by the Board of Directors.
- j) The term of office and performance of the Committee and each of its members must be reviewed by the Nomination Committee annually to determine whether such Audit & Risk Management Committee and members have carried out their duties in accordance with their terms of reference.

## 8.6.2. Remuneration Committee

8.6.2.1. The Committee shall consist of wholly or mainly non-executive directors with at least two directors. It shall be chaired by a non-executive director.

8.6.2.2. The functions of this Committee are :

- a) To determine and agree with the Board the framework or broad policy for the remuneration of the Company's or Group's Chief Executive, and other senior management staff of the Company or Group;
- b) To determine and recommend to the Board any performance related pay schemes for the Company or Group;
- c) To determine the policy for and scope of service agreements for the executive and non-executive directors, termination payments and compensation commitments;
- d) To oversee any major changes in employee remuneration and benefit structures throughout the Company or Group;
- e) To produce an annual report of the Committee's remuneration policy for Board members which will form part of the Company/Group's annual report and accounts; and
- f) To recommend to the Board the appointment of the services of such advisers or consultants as it deems necessary to fulfil its responsibilities.

## 8.6.3. Nomination Committee

8.6.3.1. The Committee shall consist exclusively of non-executive directors, a majority of whom are independent. The Committee shall have at least two directors. It shall be chaired by an independent non-executive director.

8.6.3.2. The functions of the Committee are :

- a) To review regularly the Board structure, size and composition, and make recommendations to the Board with regard to any adjustments that are deemed necessary and to recommend Directors to Committees of the Board;
- b) To be responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular, of the Chairman and the Managing Director;
- c) To review the required mix of skills and experience and other qualities and competencies which Non-Executive Directors should bring to the Board and to assess the effectiveness of the Board, committees of the Board and contributions of Directors of the Board;
- d) To review the balance between Executive and Non-Executive Directors and to ensure at least one third (1/3) of the Board is comprised of Independent Directors in compliance with the Listing Requirements;
- e) To recommend to the Board for the continuation (or not) in service of an Executive Director as an Executive or Non-Executive Director;
- f) To recommend Directors who are retiring by rotation to be put forward for re-election; and
- g) To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfill its responsibilities.

## 9. **MATTERS RESERVED FOR THE BOARD**

The following matters shall be reserved for decision by the Board and/or the Executive Committee of the Board, supported by any recommendation as may be made from time to time by the other committees (as appropriate):

### **9.1 Financial**

- 9.1.1 The adoption of any significant change or departure in the accounting policies and practices of the company and its subsidiaries;
- 9.1.2 the raising of incremental borrowing facilities;
- 9.1.3 the approval of the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations in business plans;

- 9.1.4 the approval of annual financial statements and the declaration of dividends; and
- 9.1.5 the recommendation to shareholders of any increase, reduction or alteration to the share capital of the company and the allotment, issue or other disposal of shares of the company (except for shares allotted under any share incentive scheme).

## **9.2 Statutory and Administrative**

- 9.2.1. Recommending amendments to the Constitution of the company;
- 9.2.2. the appointment, removal or replacement of the external auditors of the company;
- 9.2.3. the frequency of meetings of the Board;
- 9.2.4. the convening of general meetings of shareholders of the company;
- 9.2.5. the approval of proxy forms for annual and general meetings of shareholders of the company;
- 9.2.6. the formulation of recommended policies in relation to industrial relations;
- 9.2.7. the prosecution, defence or settlement of legal or arbitration proceedings where material and except in the ordinary course of business;
- 9.2.8. the granting of general signing authorities pursuant to the Constitution of the company;
- 9.2.9. the appointment, removal or replacement of the company secretary;
- 9.2.10. the variation of the rights attaching to shares where such powers are vested in the Board; and
- 9.2.11. the formulation and amendment of the company's Code of Conduct.

## **9.3. Regulatory**

- 9.3.1 The approval of terms and conditions of the company's rights issues, public offers, capital issues or issues of convertible securities including shares or convertible securities issued for acquisitions;

- 9.3.2. the approval and authority to issue circulars to shareholders of the company;
- 9.3.3. the approval of and authority to issue prospectuses, listing particulars, rights offers or takeover or merger documents;
- 9.3.4. recommending to shareholders that they approve any ordinary or special resolutions in respect of the company; and
- 9.3.5. recommending that the shareholders take a particular course of action proposed by the Board.

#### **9.4. Manpower**

- 9.4.1. Appointments to and removals from the Board including the appointment of the Chairman, any Deputy Chairman, MD, executive directors and non-executive directors, and the approval of nominations of alternate directors (if any) as recommended by Nomination Committee;
- 9.4.2. the appointment of, terms of reference and changes in the composition of the committees of the Board as are established from time to time;
- 9.4.3. any increase of Board members' fees as recommended by Remuneration Committee, which shall finally be approved by shareholders in a general meeting;
- 9.4.4. the approval of any employee incentive scheme, the rules applicable to any such scheme and any amendment to such rules as recommended by the relevant Committee, for submission to shareholders, if applicable; and
- 9.4.5. the formulation of recommended policies in relation to equal opportunity employment, human capital development, environment, health and safety.

### **10. MANAGEMENT OF RISKS**

- 10.1. The Board is responsible for the total process of risk management and uses the risk assessment monitor as its main source of information to determine the effectiveness of the Company's risk management process.
- 10.2. The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed – internally and externally.

- 10.3. The Board must appreciate the business risk issues and key performance indicators affecting the ability of the company to achieve its strategic purpose and objectives.
- 10.4. The Board must ensure that appropriate systems are in place to manage the identified risks, measure the impact and to proactively manage it, so that the company's assets and reputation are suitably protected.
- 10.5. The most significant risks are:
- 10.5.1. operation and financial;
  - 10.5.2. skills shortage;
  - 10.5.3. credit granting;
  - 10.5.4. defaulting debtors;
  - 10.5.5. information technology services;
  - 10.5.6. crime;
  - 10.5.7. shift in spending patterns;
  - 10.5.8. currency; and
  - 10.5.9. interest rate.

## 11. BOARD MEETINGS

- 11.1. Board members will use their best endeavours to attend Board meetings and to prepare thoroughly. Board members are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table. Board members who are unable to attend shall advise the Chairman at an early date, and confirm in writing to the company secretary.
- 11.2. **Frequency and Quorum**
- 11.2.1. Meetings of the Board will be held at such time and at such venue as the Board deems appropriate, but it will normally meet at least quarterly or where circumstances necessitate.

- 11.2.2. The quorum necessary for the transaction of business is fixed by the Constitution, which currently is two.
- 11.2.3. In addition to the matters set out in this Board Charter, meetings and proceedings of the Board will be governed by the company's Constitution.
- 11.2.4. Except under exceptional circumstances, at least 7 days' notice will be given of a meeting of the Board.
- 11.2.5. The Chairman must establish standards for preparation of board papers and reports.

**11.3. Agenda and meeting papers**

- 11.3.1. The Chairman must ensure that an agenda is prepared prior to the meeting, raising issues that require attention, ensuring that proceedings are conducted efficiently and all appropriate matters addressed. The company secretary must also work with the Chairman on preparing the agenda.
- 11.3.2. The company secretary must circulate the agenda and other meeting papers to the Board members at least four working days before the date set down for the meeting or a shorter time for emergency meeting.

**11.4. Conflicts of Interest**

- 11.4.1. Board members are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business, preferably in advance.
- 11.4.2. Board members are required to disclose their shareholdings in the Company, other directorships and any potential conflict of interest.
- 11.4.3. Board members should absent themselves from discussion or decisions on matters in which they have a conflicting interest, unless resolved otherwise by the remaining members of the Board.

**11.5. Minutes**

- 11.5.1. Minutes of the Board meeting will be circulated to all members of the Board by the company secretary prior to the next Board meeting.

- 11.5.2. The practice for minutes shall be to record processes and outcomes, rather than the course of discussion.

## **12. SHARE DEALINGS BY MEMBERS**

- 12.1. Board members are encouraged to hold shares in the company, recognising that this has the capacity, in many cases, to increase the focus of Board members on company performance and share value and therefore will be in the interests of all shareholders.
- 12.2. When buying or selling shares, Board members must strictly observe the provisions of the company's Constitution, the company's own internal rules and all relevant legislative or regulatory procedures, and should follow any procedural recommendations prescribed by the Board from time to time.

## **13. BOARD EVALUATION AND PERFORMANCE**

- 13.1. The Nomination Committee evaluate the performance of the Board members, EDC cum MD and senior executives on an annual basis.
- 13.2. This shall take the form of a questionnaire comprising a self-evaluation of the Board as a whole, and the responses will be collected and collated by the Chairman who then shall discuss the results with the Board after consideration of the findings.
- 13.3. The Board shall appraise the performance of the Chairman on an annual or such other basis as the Board may determine, in terms of a performance assessment questionnaire.
- 13.4. The Nomination Committee shall appraise the performance of the EDC cum MD at least annually on the basis described in 4.5.6. *[The evaluation of the EDC cum MD should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, etc.]*
- 13.5. The Board committees shall also regularly be reviewed by the Board to ascertain their performance and effectiveness.

## **14. BOARD'S RELATIONSHIP WITH SHAREHOLDERS**

- 14.1. The Board must endeavour to familiarise itself with issues of concern to shareholders.
- 14.2. The company encourages shareholders to attend its annual general meetings, which provide opportunities for shareholders to ask questions of the Board.



14.3. The Board will evaluate economic, political, social and legal issues on a regular basis, as well as any other relevant external matters that may influence or affect the development of the business or the interests of the shareholders and, if appropriate, take outside expert advice.

## 15. **COMPANY SECRETARY**

15.1. The company secretary has a key role to play in ensuring that board procedures are both followed and reviewed regularly, and has the responsibility in law to ensure that each Board member is made aware of and provided with guidance as to their duties, responsibilities and powers.

15.2. It is the responsibility of the Board, and in its own best interests, to ensure that the company secretary remains capable to fulfil the function for which they have been appointed, and the appointment and removal of the company secretary is a matter for the Board as a whole.

15.3. The company secretary is responsible for ensuring that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with its efficient operation are maintained.

15.4. The company secretary must maintain statutory books in accordance with legal requirements.

15.5. In addition to the statutory duties of the company secretary, he must provide the Board as a whole and the Board members individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the company.

15.6. The company secretary should provide a central source of guidance and advice to the Board and its committees on issues including compliance with rules, procedures and statutory regulations.

15.7. The company secretary must keep abreast of, and inform, the Board of current governance thinking and practice.

15.8. The Board members have unlimited access to the company secretary.