



**XINGHE HOLDINGS BERHAD**

**BOARD GUIDELINES**  
**(Revised on 31 December 2018)**

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*The Board Guidelines will be periodically reviewed and updated in accordance with the needs of the Group and changes in regulations that may have an impact on the discharge of the Board's responsibilities.*

## **SECTION A: BOARD CHARTER**

## 1. Introduction

- a. The Board of Directors (“**Board**”) of XingHe Holdings Berhad (“**Company**”) is accountable to the shareholders for the management of the Company’s and its subsidiaries’ (“**Group**”) businesses and affairs, and as such is responsible for the overall strategy, governance and performance of the Group. The Board places great importance on the governance of the Group and this Charter reflects the Board’s position. The Board intends that the Group should adopt and comply with principles of good corporate governance and practice, in accordance with applicable rules and regulations in Malaysia.
- b. The Board Committees' terms of reference are provided in Section B and the Board Operations and Administration Guidelines are provided in Section C.

## 2. Purpose of Charter

- a. The Charter is designed to provide guidance and clarity for Directors and Executive Management with regard to the role of the Board and its Committees, the requirements of Directors in carrying out their role and in discharging their duties towards the Company as well as the Board’s operations and interactions.
- b. The Charter serves as a reference point for Board activities and should not be construed as a blueprint for Board operations. Just as each organisation has its own corporate culture, the dynamics of each Board is unique. The dynamics shift as the composition of the Board changes, and the Directors should always be open to new opportunities and ready to confront new challenges brought about by change.

## 3. Responsibilities of the Board

- a. The principal responsibilities of the Board are:
  - i. Reviewing and adopting a strategic plan for the Group;
  - ii. Overseeing the conduct of the Group’s businesses and to build sustainable value for shareholders;
  - iii. Identifying principal risks and ensuring the implementation of appropriate risk management, internal controls and mitigation measures;
  - iv. Succession planning;
  - v. Overseeing the development and implementation of a shareholder communications policy for the Group; and

- vi. Reviewing the adequacy and integrity of the management information and internal control systems of the Group including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- b. In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board Committee, the Chairman of the Board (“**Chairman**”), Managing Director (“**MD**”), or a nominated member of Executive Management or other person subject to always to the ultimate responsibility of the Directors under the Malaysian Companies Act 2016.

#### **4. Powers Reserved for the Board**

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Company is firmly vested in its hands. Matters which are specifically reserved for the Board include the following:

- a. Setting of corporate and strategic directions, plans and programmes;
- b. Approval of annual operating and capital expenditure budgets;
- c. Evaluation and approval of new business ventures;
- d. Acquisitions and disposals of material undertakings and assets or and any significant expenditure which exceeds the authority delegated to the MD;
- e. Changes to the management and control structure within the Group, including key policies and delegated authority limits;
- f. Appointment of all Board’s and Board Committees’ members, the MD and the Company Secretary/ies;
- g. Any matters in excess of any discretions that may have been delegated from time to time to the MD and/or Executive Management;
- h. Setting and approving the terms of reference of Board Committees; and
- i. Any matters and/or transactions that are within the ambit of the Board pursuant to the Companies Act 2016, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**AMLR**”) the Company’s Constitution and any other applicable regulatory rules and regulations.

## 5. Relationship with Management

- a. The Board may delegate their powers through appropriate limit of authorities. Any matters or transactions outside the delegations of authority must be referred to the Board for approval.
- b. The Board delegates the Company's resources to the Key Senior Management team under the leadership of the MD, to deliver the strategic direction and goals determined by the Board. A key role of the Board is to monitor the performance of Key Senior Management in this function.
- c. The MD conducts a formal periodic review assessing the performance of Key Senior Management and reports back to the Board. The Executive Management team may be invited from time to time to Board meetings, if deemed necessary.

## 6. Delegation to Committees

The Board may from time to time establish Board Committees to streamline the discharge of its responsibilities. The Board delegates certain of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of references:

- a. Audit and Risk Management Committee (“**ARMC**”)

The ARMC assists and supports the Board's responsibility to oversee the Group's operations by providing a means for review of the Group's processes for producing financial data, its internal controls and independence of the Group's external and internal auditors. The terms of reference of the ARMC is set out in Section B1.

- b. Nomination Committee (“**NC**”)

The NC oversees matters related to the nomination of new Directors, annually review the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director. The terms of reference of the NC is set out in Section B2.

- c. Remuneration Committee (“**RC**”)

The RC is primarily responsible to recommend to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice if necessary. The terms of reference of the Remuneration Committee is set out in Section B3.

## 7. Board Structure

### a. Composition and size

It is intended that the composition and size of the Board be determined using the following principles:

- i. The Board shall comprise at least five (5) Directors.
- ii. The Board must ensure at least two (2) Directors or one-third ( $\frac{1}{3}$ ) of its Board (whichever is the higher) are Independent Non-Executive Directors. Independent Directors are essential for protecting the interests of all shareholders and stakeholders with objective and impartial consideration. The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) 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 (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Directors after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.
- iii. The Board should comprise Directors with an appropriate range and mix of skills, experience, expertise and diversity that will enable the Board to function effectively. The Board will refer to the criteria for appointment of new Directors as reviewed and recommended by the NC.
- iv. The positions of Chairman and MD are required to be held by separate persons.
- v. The Chairman should be a Non-Executive member of the Board.
- vii. The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

The Board recognises the need for its composition to reflect a wealth of skill mix and expertise. High levels of professional skills and appropriate personal qualities are pre-requisite for directorships. Without limiting the generality of the foregoing, the qualifications for Board membership are the ability to make informed business decisions and recommendations, an entrepreneurial talent for contributing to the creation of shareholder value, relevant experience, the ability to appreciate the wider picture, ability to ask probing operational related questions, high ethical standards, sound practical sense, and total commitment to furthering the interests of shareholders and the achievement of the Group's goals.

b. Election and re-election

The appointment of a new Director is a matter for consideration and decision by the Board, upon the recommendation from the NC. In making these recommendations, the NC will consider the required mix of skills, experience and diversity, which the Director brings to the Board.

One third ( $\frac{1}{3}$ ) of the Board shall retire from office and be eligible for re-election at every Annual General Meeting, and all the Directors should submit themselves for re-election at least once every three (3) years. The Directors to retire in each year should be those who have been longest in office since their last election.

**8. Access to Information and Independent Advice**

a. Access to information

All Directors have unrestricted access to Key Senior Management and the internal and external auditors (via the ARMC).as well as the service and advice of the Company Secretary/ies. In addition to regular reports by the MD and Key Senior Management to the Board meetings, Directors may seek briefings from the MD and Key Senior Management on specific matters and all Directors have the right of access to all reports on the Group's activities, both financial and operational.

b. Independent advice

The Directors, collectively or individually, are entitled to obtain independent professional advice relating to the affairs of the Group or to his or her responsibilities as a Director. If a Director considers such advice necessary for the discharge of his or her duties and responsibilities as Director and for the benefit of the Group, the Director shall obtain the Board's prior approval, and in seeking such advice, shall be required to comply with the following procedures:

- i. The request shall be made in writing to the Board.
- ii. The Director concerned shall prepare a detailed paper to be submitted to the Board for its consideration. The paper shall highlight, inter alia, the purpose behind the request and the estimated costs of the advice.
- iii. The Board shall deliberate on the said paper, and at its sole and absolute discretion determine if the Director concerned shall be permitted to seek the independent professional advice. Should a request be denied, the Director concerned is entitled to have his views duly recorded.
- iv. The cost of the advice will be reimbursed by the Company. The Director, as the case may be, will however have to ensure that, so far as is practicable, the cost is reasonable.

## 9. Board Processes

- a. Board meetings
  - i. To facilitate the Directors' time planning, a pre-scheduled annual calendar of Board meetings is circulated and confirmed by the Board at the beginning of each calendar year to provide ample time for the Directors to plan their attendance.
  - ii. The quorum of a Board meeting is three (3) members, present in person or participation via tele-conference or other communications facilities.
  - iii. All deliberations, discussions and decisions of the Board are minuted and recorded accordingly.
  - iv. Minutes of all Board meetings are circulated to the Directors and approved by the Board at the subsequent meeting and are signed by the chairperson of the meeting concerned or the chairperson of the next meeting pursuant to Article 126(3) of the Company's Constitution. Directors' Circular Resolutions approved by majority of the Directors are as valid and effectual as if the resolutions had been passed at a meeting of the Directors. The resolutions are to be recorded in the Company's minutes book kept by the Company Secretary/ies.
  - v. Actions on all matters arising from any meeting are reported at the next meeting.
  - vi. The Board may invite external parties such as auditors (both internal and/or external auditors), solicitors or consultants as and when the need arises.
- b. Notices and meeting papers
  - i. Notices of Board meetings and the agendas shall be sent to the Directors electronically at least one (1) in advance prior to the meetings. Any notice of meeting served shorter than one (1) week shall require unanimous agreement by the Board.
  - ii. To allow ample time for Directors to prior peruse the matters to be deliberated upon, Board meeting papers are delivered to the Directors in hard copies at least three (3) days prior to the meetings. If necessary, further information or documents are provided at the meeting.

- iii. The Board meeting papers include, among others, the following documents or information:
  - Reports of meetings of all Committees of the Board including matters requiring the Board's deliberation, approval and notation
  - Performance reports of the Group, which include information on financial, strategic business issues and updates
  - Major operational, financial, legal, regulatory and corporate issuers
  - Board papers for other matters for discussion/approval
- iv. Minute prepared following a meeting will be circulated in draft form. The draft minute will be re-circulated with the Board papers in readiness for signing at the following meeting.

## 10. Directors' Remuneration

- a. Directors' remuneration is generally determined at levels which commensurate with the skills and responsibilities expected of Directors and that it must be sufficient to attract and retain talent needed to effectively and successfully manage the Group.
- b. For Executive Directors, the remuneration packages are structured so as to link short-term and long-term rewards to corporate and individual performance. A significant portion of the Executive Director's compensation package has been made variable in nature to be determined by the Group's performance during the year against the individual Key Performance Indicators which are aligned with the Group's objectives.
- c. For Non-Executive Directors ("NEDs"), the level of remuneration generally reflects the experience and level of responsibilities undertaken. The determination of remuneration packages for NEDs including the Non-Executive Chairman, is a matter for the Board as a whole following the relevant recommendation made by the RC.

## 11. Directors' Training and Continuous Education

- a. Directors of the Company must ensure that they attend such training programmes as may be prescribed by Bursa Malaysia Securities Berhad ("**Bursa Securities**") from time to time. The Directors should continue to update their knowledge and enhance their skills through appropriate continuous education programmes and life-long learning. This will enable Directors to effectively discharge their duties and sustain active participation in the Board deliberations.
- b. The Board via the NC shall assess the training needs of the Directors from time to time.

## 12. Review of Board Performance

- a. The Board via the NC review its performance and that of individual Directors and Key Senior Management annually. Following each assessment, the NC shall recommend to the Board the actions needed to improve the respective performances.
- b. Informal reviews of the Board's performance are conducted as and when necessary. In addition, any Director may suggest that the Board conduct a formal review earlier than the usual yearly timeframe.

## 13. Position Descriptions

- a. Role of Chairman

The Board should be headed by a Chairman who is able to discharge his duties effectively. The Chairman should undertake, amongst others, the following responsibilities:

- i. Provides leadership to the Board to ensure its effectiveness without limiting the principle of collective responsibility for Board decisions;
- ii. Sets the agenda for Board meetings, in conjunction with the MD and ensure that adequate time is available for discussion of all items on the agenda;
- iii. Ensures that the Directors receive complete, adequate and timely information;
- iv. Promotes a culture of openness and debate during Board meetings;
- v. Ensures effective communications with shareholders;
- vi. Facilitates effective contribution by NEDs; and
- vii. Promotes high standards of corporate governance.

The roles of the Chairman and MD are strictly separated to ensure the balance of power and authority and to maintain effective supervision and accountability of the Board and Executive Management.

b. Role of MD/Executive Directors

Executive Directors are, as employees, involved in the day-to-day management of the Group. In the event that the Executive Director is also the MD, additional duties and responsibilities apply. The role of the MD is seen as critical to the performance of the Group. The MD is expected to provide leadership, strategic vision, high-level business judgment and wisdom, and the ability to meet immediate performance targets without neglecting longer-term growth opportunities of the Group.

In addition, the MD is also responsible for:

- i. Providing the vision and strategic direction of the Group;
- ii. Formulating and implementing appropriate corporate strategies;
- iii. Ensuring the efficiency and effectiveness of the Group's operations; and
- iv. Assessing potential business opportunities and threats to the Group.

Clearly, the MD's responsibilities extend beyond the day-to-day running of the business and executing the Board's instructions. Major decisions are often made by the Board following consideration of the MD's ideas, vision and/or suggestions.

c. Role of NEDs

NEDs can be classified as those Directors who:

- i. have no direct or indirect pecuniary interest in the Company other than their emoluments and their "permitted" shareholdings in the Company;
- ii. are not employees of the Company or its subsidiaries or any entities affiliated with it in any other way and are not involved in the day-to-day running of business but may have pecuniary interest in the said entities, whether direct or indirect; or
- iii. are standing as nominees for substantial shareholders.

NEDs may act as a bridge between Executive Management and stakeholders, particularly shareholders. They could provide the appropriate checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that good corporate governance practices are applied.

#### **14. Indemnity and Insurance**

The Directors and Key Senior Management of the Group are entitled to be indemnified against liabilities arising from their holding of office in the Company and its subsidiaries. In this respect, the Group will consider the appropriate insurance policy to mitigate this risk.

#### **15. Communication with Stakeholders**

The Board is committed to ensuring that communications to stakeholders and the investing public in general, regarding the businesses, operations and financial performance of the Group is timely and factual and are available on an equal basis.

The release of announcements and information by the Group to Bursa Securities, is handled by the Group Chief Financial Officer and/or the Company Secretary/ies within the prescribed requirements of the AMLR and the Group Corporate Disclosure Policy.

The Group Corporate Disclosure Policy outlined the procedures and processes to be followed in ensuring compliance by all Directors, officers and employees of the Group.

The full text of the Group Corporate Disclosure Policy is available on the Group's website.

Information is disseminated via annual reports, circulars/statements to shareholders, quarterly and annual financial statements, and announcements from time to time. As these announcements and information can be price-sensitive, they are only be released after having reviewed by the MD and/or the Board where necessary.

The Group's website also provides all relevant information to stakeholders and the investing community. Quarterly and annual financial statements, announcements, financial information, annual reports, and circular/statements to shareholders are uploaded onto the website for investors and the public.

#### **16. Code of Ethics and Conduct**

- a. The Board has formalised a Code of Ethics and Conduct ("**Code**") which reflects the Group's vision and core values of integrity, respect and trust, and the core areas of conduct include the following:
  - i. Conflict of interest
  - ii. Confidential information
  - iii. Insider information and securities trading

- iv. Protection of assets
- v. Business records and control
- vi. Compliance with laws
- vii. Personal gifting and contribution
- viii. Safety, health and environment

The Code governs the conduct of the Directors and all employees of the Group and provides guidance on the communication process and the duty to report whenever there are breaches of the same. In connection thereto, each Director is to communicate any suspected violations of this code to the Chairman of the ARMC and all violations will be investigated by the Board or by persons designated by the Board, and appropriate action will be taken in the event of the said violations.

The details of the Code are provided in Section D.

- b. The Code is reviewed and updated from time to time by the Board to ensure that it continues to remain relevant and appropriate.

## **17. Conflicts and Declarations of Interest**

- a. Every Director who may have direct or indirect interest in any contracts or proposed contract or arrangement with the Group shall immediately declare his or her interest to the Board and shall not participate in deliberations and shall abstain himself or herself from casting his or her vote in any matter arising there from.
- b. Should there be an actual, potential or perceived conflict of interest between the Group and a Director, or an associate of a Director such as a spouse, an immediate family member, or a company related to the said Director, the Director involved shall make full disclosure and act honestly in the best interest of the Group.
- c. An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual Director from the Board provided that full disclosure of the interest has been made in due honesty.

***END OF SECTION A***

## **SECTION B: TERMS OF REFERENCE**

## **1. AUDIT AND RISK MANAGEMENT COMMITTEE**

### **a. Composition**

The Board shall appoint the Audit and Risk Management Committee (“**Committee**”) members from amongst themselves, comprising no less than three (3) Non-Executive Directors. The majority of the Committee members shall be Independent Directors. The members of the Committee shall elect a Chairman from among themselves who is an Independent Director.

At least one member of the Committee shall be a member of the Malaysian Institute of Accountants; or if not a member of the Malaysian Institute of Accountants, the member shall have at least three (3) years’ working experience and:

- shall have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 of Malaysia; or
- shall be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967 (Malaysia); or
- fulfils such other requirements as prescribed or approved by the Bursa Securities.

No Alternate Director shall be appointed as a member of the Committee. Any vacancy in the Committee resulting in the non-compliance with above paragraphs must be filled within three (3) months.

A former key audit partner who was previously involved in the audit of the Company and/or its subsidiaries must have observed a cooling-off period of at least two (2) years before he or she can be appointed as a member of the Committee.

The Board should ensure effective orientation is given to new Committee members and that there are adequate experienced Directors on the Committee.

### **b. Meetings**

#### **i. Quorum**

A quorum of any Committee meeting will be three (3) members and a majority of whom must be Independent Directors. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.

#### **ii. Meetings and minutes of meetings**

A schedule of meetings will be agreed in advance, however other meetings can be held as determined by the Chairman. The auditors, both internal and external, may request a meeting if they consider that one is necessary. The Committee may invite other Directors, Executive Management and employees to attend its meetings as deemed necessary from time to time. The external and internal auditors may request for a private session with the Committee to discuss any matter of concern.

The Company Secretary/ies shall be appointed Secretary/ies of the Committee (“**Secretary**”). The Secretary, in consultation with the Chairman, shall draw up an agenda, which shall be circulated together with the notice of meeting to the members at least one (1) week prior to each meeting and the meeting papers delivered in hard copies at least three (3) days prior to the meetings.

The Committee aims to achieve consensus on all substantive matters tabled before it. This would mean that each member has a right and obligation to express their point of view, listen to proposals and in the absence of an agreement on the resolution of a matter, work towards an agreement. Where consensus cannot be achieved, the Chairman is given the discretion to call for a vote.

At any meeting a resolution put to the vote shall be decided on a show of hands of all members present in person or by means of telephone or other means of telecommunication (“**electronic attendance**”) which permits all members participating in the meeting to hear each other in a clear audible manner. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote.

All deliberations, discussions and decisions of meetings shall be minuted and recorded by the Secretary and the minutes shall be signed by the chairman of the meeting concerned or the chairman of the next meeting.

The minutes of all meetings shall be kept at the registered office and upon confirmation at the next meeting, copies shall be circulated to the members of the Board, and the Chairman shall report on key matters discussed at each meeting to the Board.

iii. Frequency of meetings

The Committee shall meet a minimum of four (4) times per year and more frequently if required, as determined by the Chairman. The Committee shall meet at least twice annually with the internal auditor and the external auditors without presence of any Executive Directors, Executive Management or employees, to discuss any matters the Committee considers relevant to the purpose of the Committee.

c. **Authority**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employees, and employees are directed to co-operate with any request made by the Committee. The Committee can obtain, at the expense of the Group, outside legal or other independent professional advice, it considers necessary in the discharge of its responsibilities.

The Committee shall have full and unlimited access to any information pertaining to the Group. The Committee shall have direct communication channels with the internal and external auditors and with Key Senior Management and shall be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Group, whenever deemed necessary. The Committee shall have access to resources that are required to perform its duties, at the expense of the Group.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the AMLR, the Committee shall promptly report such matter to Bursa Securities.

Notwithstanding anything to the contrary hereinbefore stated, the Committee does not have executive powers. The Chairman shall be reporting to the full Board from time to time its recommendations for consideration and implementation and the actual decision shall be the responsibility of the Board after considering the recommendations of the Committee.

**d. Responsibilities**

The following are the main responsibilities of the Committee collectively:

- i. Review with the external auditors the audit plan, their audit report, major findings and Executive Management's responses thereof.
- ii. Review the external auditors' evaluation of the systems of internal controls, recommendations made, and Executive Management's response to the recommendations.
- iii. Review the assistance given by the employees to both the internal and external auditors.
- iv. Consider the nomination, appointment (and re-appointment), resignation and dismissal of the external auditors. In connection thereto, the Committee is to review, assess and monitor the performance, suitability and independence of the external auditors.
- v. Review and approve external audit fees, including the monitoring and approval of all non-audit services.

- vi. Review the following in respect of internal audit:
- the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its functions;
  - the internal audit plan and processes;
  - the results of internal audit assessments and investigations undertaken and to ensure that appropriate action is taken to implement the recommendations;
  - co-ordination of internal audit with external audit; and
  - the appointment or termination of the internal auditors, and appraisal and assessment of the performance of the internal auditors.
- vii. Take cognisance of the resignations of any internal audit member who is engaged in-house and provide the resigning internal audit member an opportunity to submit his or her reasons for resigning.
- viii. Review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
- changes in, or implementation of, major accounting policy changes;
  - significant matters highlighted including financial reporting issues;
  - significant judgements made by Executive Management;
  - significant and unusual events or transactions; and
  - compliance with accounting standards and other legal requirements;
- and how these matters are addressed.
- ix. Review procedures in place to ensure that the Company and its subsidiaries, where applicable, are in compliance with their respective Constitutions, AMLR, and applicable rules and regulations in all jurisdictions in which the Group operates and all other applicable legislative and reporting requirements.
- x. Monitor progress made by Executive Management in improving internal controls arising from recommendations made by both external and internal auditors.
- xi. Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- xii. Review and monitor any related party transactions and situations where a conflict of interest may arise within the Group, including any transaction, procedure or course of conduct that raises questions of Executive Management's integrity.

xiii. In respect of risk management, the tasks of the Committee are as follows:

- Support the Board in meeting risk management expectations to:
  - (1) ensure that the Group's corporate objectives are supported by a sound risk strategy and an effective risk management framework that are appropriate to the nature, scale and complexity of its activities.
  - (2) provide effective oversight of Executive Management's actions to ensure consistency with the risk appetite, risk strategy and policies approved by the Board.
  - (3) ensure that the risk management framework enables the identification, measurement and continuous monitoring of all relevant and material risks on a Group basis and is supported by robust management information that facilitate the timely and reliable reporting of risks.
  - (4) ensure that risk management is integrated throughout the Group and embedded into the culture and business operations.
  - (5) ensure that the effective implementation of the risk management framework is reinforced with an effective compliance function and is subjected to internal audit review.
  - (6) ensure that there are appropriate mechanisms for communicating risks across the Group and for reporting risks developments to the Board and management.
  - (7) exercise oversight over subsidiaries' risk management and ensure that appropriate processes are established to monitor the subsidiaries' compliance with the Group's risk management policies.
- Ensure that the internal audit plans are aligned with the risks that have been identified so as to ensure that identified risks are managed in an integrated manner.
- Review and approve the appointment, replacement and dismissal of the Chief Risk Officer, if any.

xiv. Any other activities, as authorised by the Board.

**e. Review**

The Nomination Committee is to review the term of office and performance of the Committee and each of its members annually to assess the extent to which the Committee and its members have discharged its responsibilities as set out in these terms of reference.

These terms of reference should be reviewed at least annually by the Committee or as and when there are changes to the Corporate Governance Code and AMLR. The Committee shall discuss any changes required with the Board and ensure that such changes are approved by the Board.

## 2. NOMINATION COMMITTEE

### a. Composition

The Nomination Committee (“**Committee**”) should consist of a minimum of three (3) members, all of which should be Non-Executive Directors with a majority of Independent Directors.

The chair of the Committee (“**Chairman**”) and members shall be appointed by the Board. The Board may appoint such additional members to the Committee or replace members of the Committee by resolution.

### b. Meetings and Minutes

#### i. Secretary

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

#### ii. Frequency of Meetings

The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the Chairman.

#### iii. Quorum

The quorum for a meeting shall be at least two (2) members. In the absence of the Chairman, the members present shall elect one of their number to chair the meeting.

#### iv. Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all meetings, including the attendance of members.

Draft minutes of meetings shall be circulated promptly to all members. Once approved, the minutes are circulated to all other members of the Board unless it is deemed inappropriate to do so.

#### v. Notices of Meeting

Notices of meeting shall be arranged by the Secretary at the request of the Chairman.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and the meeting papers. The Secretary shall ensure that the agenda and meeting papers are circulated in a timely manner to enable prior perusal by the members before the meeting.

**c. Authority**

The Board has constituted the Committee with the authorities necessary to perform the duties set out in these Terms of Reference. The Committee is authorised to seek any information it requires from employees, company officials and external parties. The Committee may seek independent professional advice, as it requires, at the expense of the Company.

The Board will provide the Committee with sufficient resources to undertake its duties.

**d. Responsibilities**

i. Appointments and Re-appointments to the Board and/or Board Committees (other than the Committee)

The Committee will be responsible for:

- periodically reviewing the structure, size, balance and composition of the Board including the appropriate mix of skills, experience, expertise and diversity required on the Board
- establishing processes for the appointment and re-appointment of Directors, including establishing the criteria for Board membership
- evaluating and recommending candidates to the Board for appointment as Directors, whether of Executive or Non-Executive position
- recommending candidates to the Board to fill the seats on Board Committees (other than the Committee).

In the case of candidates for the position of Independent Non-Executive Directors, the Committee also evaluate the respective candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

ii. Performance Evaluation

The Committee annually reviews the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director. All assessments and evaluations carried out by the Committee are properly documented.

iii. Continuing Education

The Committee is responsible for reviewing and defining induction and on-going training and education programmes on behalf of the Board to ensure that the Directors are kept up to-date with the Group's operations and businesses and to supplement their knowledge on the latest developments and issues relevant to the Group, especially in areas of corporate governance and regulatory requirements.

iv. Succession Planning

The Committee's approach to succession planning is to ensure a continuous level of quality in key management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity.

**e. Procedures for Selection and Appointment of New Directors**

- i. In assessing the suitability of any candidate for directorship, the Committee will take into consideration the following factors:
  - the candidate's reputation, educational background, skills, knowledge, expertise, competence and experience that is in line with the Group's business operations, age, time commitment, independence and integrity; and
  - the existing composition of the Board.
- ii. Comprehensive background information in relation to the candidate would be furnished to the Board.
- iii. In addition to candidates recommended by existing Directors or Executive Management or major shareholders, the Committee may also utilise external search organisations to identify potential candidates, if deemed necessary.
- iv. An offer of a Board appointment must be made by the Chairman of the Board only after having all Directors have been consulted, with the requisite recommendations from the Committee having been circulated to all Directors.
- v. All new Board appointments are formalised by a letter in the standard format as approved by the Board from time to time.

**f. Reporting Responsibilities**

The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

**g. Review**

The Board will periodically review the membership and terms of reference of the Committee to determine its adequacy for current circumstances and the Committee may recommend any changes it considers necessary to the Board for consideration.

### 3. REMUNERATION COMMITTEE

#### a. Composition

The Remuneration Committee (“**Committee**”) should consist of a minimum of three (3) members with a majority of Non-Executive Directors.

The Chairman of the Committee (“**Chairman**”) and the members shall be appointed or replaced by the Board based on the recommendations of the Nomination Committee.

#### b. Meetings and Minutes

##### i. Secretary

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

##### ii. Frequency of Meetings

The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the Chairman.

##### iii. Quorum

The quorum for a meeting shall be at least two (2) members. In the absence of the Chairman, the members present shall elect one of their number to chair the meeting.

##### iv. Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all meetings, including the attendance of members.

Draft minutes of meetings shall be circulated promptly to all members. Once approved, the minutes are circulated to all other members of the Board unless it is deemed inappropriate to do so.

##### v. Notices of Meeting

Notices of meeting shall be arranged by the Secretary at the request of the Chairman.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and the meeting papers. The Secretary shall ensure that agenda and meeting papers are circulated in a timely manner to enable prior perusal by the members before the meeting.

**c. Authority**

The Board has constituted the Committee with the authorities necessary to perform the duties set out in these Terms of Reference. The Committee is authorised to seek any information it requires from employees, company officials and external parties. The Committee may seek independent professional advice, as it requires, at the expense of the Company.

The Board will provide the Committee with sufficient resources to undertake its duties.

**d. Responsibilities**

**i. Remuneration Framework**

The Committee is responsible for reviewing and recommending to the Board the remuneration framework for the Executive Directors and Key Senior Management, ensuring that remuneration is set at a coherent and competitive level to recruit, attract, retain and motivate high performing individuals and structured so as to align their interests with those of the Company and its shareholders.

In determining the remuneration framework, the Committee shall consider the following matters:

- whether the framework provides adequate motivational incentive for Executive Directors and Key Senior Management to pursue the long term growth and success of the Group; and
- the underlying performance of the Group in light of its business plans.

The remuneration of Non-Executive Directors shall be a matter for the Chairman and the executive members of the Board to decide provided that no Director shall be involved in any decision as to their own remuneration.

**ii. Remuneration Management and Review**

The Committee:

- establishes and recommends to the Board the individual remuneration structure and policy for the Executive Directors and Key Senior Management, taking due account of short term and long term incentives and whether there is an appropriate balance between fixed and incentive pay that is aligned with the objectives and performance of the Group and is commensurate with the level of executive responsibilities;

- reviews and advises on the terms of any contract to be offered to a Director ensuring that the contractual terms on appointment, retirement, termination and any payments made are fair to the individual and the Group;
- considers all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of corporate governance in determining the remuneration policy; and
- reviews the on-going appropriateness and relevance of the remuneration policy and approving any major changes to remuneration policy.

iii. Performance Management

The Committees responsible for:

- determining and agreeing with the Board an appropriate performance framework;
- supporting the setting of performance target parameters for the remuneration of the Executive Directors; and
- monitoring their performance against such targets and recommending resultant annual remuneration levels.

e. **Reporting Responsibilities**

The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

f. **Review**

The Board will periodically review the membership and terms of reference of the Committee to determine its adequacy for current circumstances and the Committee may recommend any change it considers necessary to the Board for consideration.

***END OF SECTION B***

## **SECTION C: BOARD OPERATIONS AND ADMINISTRATION**

## **1. Best Interest of the Company**

The management of the business and affairs of the Group is under the direction of the Board. The Board is structured to protect the interests of shareholders and relevant stakeholders whilst enabling the Group to compete in a dynamic market environment. The Board has a collective responsibility to act in the best interest of the Group.

## **2. Corporate Strategy and Policy**

- a. The Board co-owns the corporate strategy with Executive Management. It is the responsibility of Executive Management to develop the strategic plan, but true alignment between the Board and Executive Management can only be attained when the Board also plays an active role in the development of the strategy. The effectiveness of the Board in shaping the Group's strategic position would involve:
  - i. Understanding and guiding the strategic direction;
  - ii. Challenging Executive Management's strategic plan;
  - iii. Understanding the key risks of the Group;
  - iv. Reviewing and adopting the strategic plan, annual business plan and budget; and
  - v. Assessing Executive Management's targets.
- b. Executive Management will prepare, review and seek approval from the Board on the following:
  - i. Strategic plan;
  - ii. Annual business plan (including operational and capital budgets); and
  - iii. Business continuity plan

## **3. Principal Risks**

- a. Executive Management typically bears responsibility for measuring, analysing and controlling the Group's risks while the Board provides oversight on the enterprise risk management ("ERM") framework. Any major changes in risks are to be communicated by Executive Management to the Board.

- b. The Board's role in ERM and control activities include:
  - i. Ultimate responsibility for risk oversight and ERM;
  - ii. Adopting the overall ERM framework including the risk policy, roles and responsibilities, risk reporting structure and frequency of reporting;
  - iii. Providing directions on risk appetite, organisational control environment and risk culture and approving the Group's acceptable risk appetite;
  - iv. Final decision on risk parameters, risk profiles, risk treatment options, and risk action plans for key risks;
  - v. Ensuring timely and regular receipt of reports from Executive Management of principal risks and that appropriate follow-up measures are implemented on a timely basis; and
  - vi. Adopting ERM as part of the Board's decision-making culture.
- c. The principal mechanisms through which the Board identifies and assesses the spectrum of risks facing the Group are:
  - i. Periodic reports by the MD and the Risk Officer;
  - ii. Strategic planning process;
  - iii. The Board Committees; and
  - iv. Reports by external experts when necessary.

#### **4. Internal Controls**

- a. Having identified and analysed the risks threatening the Group's ability to achieve its objectives, the Group should determine how these risks should best be managed using internal controls as one of the mechanism. Executive Management is responsible for designing and implementing internal controls. The Board should assess whether Executive Management has implemented policies that ensure controls which are in place are adequate and functioning effectively to address key risks.
- b. It is important to achieve a balance between imposing controls that give the Board reasonable assurance that its responsibilities are being fulfilled and avoiding the development of an unnecessarily bureaucratic and costly system of control mechanisms. The confidence of the Board in the ability and integrity of Executive Management is the overarching control mechanism.

## 5. Succession Planning

- a. Succession planning for the MD and Key Senior Management is the Board's collective responsibility. The MD should provide updates on succession planning from time to time at Board meetings to ensure that succession planning is a continuous and ongoing effort.
- b. The Board needs to understand the current performance, competencies and potential of MD and Key Senior Management in order to identify and develop plans for these key talents. The Nomination Committee should periodically report to the Board on succession planning for the Chairman of the Board ("**Chairman**") and the MD.
- c. The succession planning process involves:
  - i. Identifying critical functions and key positions including MD, Key Senior Management and staff in critical positions (collectively referred to as "**Critical Positions**") after assessing the Group's business strategy;
  - ii. Identifying the attributes, capabilities and skills required for the Critical Positions and subsequently, prepare job profiles for the Critical Positions individually. The profiling exercise should cover (at minimum) the attributes (e.g. strong customer contacts), soft skills, qualification, working experiences (include experience prior to joining the Group, if applicable), capabilities, etc.;
  - iii. Identifying potential candidates from the talent pool internally;
  - iv. Performing detailed gap analysis on selected potential candidates on their current capabilities against Executive Management's expected skills to assume the Critical Positions. The detailed gap analysis should identify the extent and types of skill gaps that exist using an appropriate scale;
  - v. Briefing the Board on the characteristics and competencies of the potential candidates for selected positions and obtain endorsement from the Board for implementation of succession plan for the respective staff;
  - vi. Preparing and implementing a structured knowledge transfer plan for the identified successors;
  - vii. Assisting with leadership transition and development; and
  - viii. Reviewing the effectiveness of the succession planning on a periodical basis to ensure that it is aligned with the intended objectives and targets.
- d. In the event that an internal successor is not available, the Board would seek for potential candidates from outside the Group.

## **6. Limits of Authority**

The Board establishes authority guidelines and limits on Executive Management's authority depending on the nature and size of proposed transactions as well as the applicable regulatory requirements.

## **7. Board Meetings**

### **a. Regular Meetings**

Regular meetings of the Board shall be held not less than four (4) times in each calendar year. Meeting dates for Board meetings will be set far enough in advance to avoid collision with existing commitments of individual Board members that would prevent them from attending the meetings. All regularly scheduled meetings should in most circumstances be attended in person.

The Board meets to discuss business strategy, financial performance, potential strategic acquisitions or alliances, matters pertaining to compliance and governance as well as reports on matters deliberated by the various Board Committees. Minutes of all Board Committees' meetings tabled at Board meetings for notation and the respective chairs of the Board Committees brief the Board on major issues deliberated by their respective Board Committees.

On a quarterly basis, amongst others, the Board reviews the financial performance of the Group, ERM and compliance reports and approves the quarterly results of the Group.

On an annual basis, the Board reviews and approves the annual report (including the annual financial statements and all the reports contained therein).

### **b. Special or Emergency Meetings**

In between the scheduled regular meetings, special or emergency Board meetings are held to deliberate on major and ad-hoc matters that require the Board's urgent attention and decisions. Each Director must make his or her best effort to attend all such special or emergency meetings.

### **c. Agenda of Meetings**

The Chairman with input from the MD and the Company Secretary/ies will set the agenda for each Board meeting. Notwithstanding this, any Director may suggest matters for inclusion in the agenda and in addition, may also raise other matters that they consider worthy of discussion during the meeting.

The agenda shall detail the date, time and venue of the meeting and shall sufficiently describe the matters to be discussed and decided.

d. Minutes of Meetings

All deliberations at Board meetings, including dissenting views, are duly minuted as a record of the proceedings. Board's decisions are communicated to Executive Management within two (2) working days of the meeting to ensure that decisions and directions are executed in a timely manner. The draft minutes of meetings are circulated to the Directors for their review and comments before the final minutes are tabled for confirmation at the subsequent Board meeting. The minutes once confirmed are then signed by the chairperson of the meeting concerned or the chairperson of the next meeting pursuant to Article 126(3) of the Company's Constitution.

e. Quorum

A quorum for a Board meeting shall be formed with the presence of three (3) Board members and no business shall be conducted unless a quorum is present for the meeting.

Directors are also allowed to participate in Board meetings via tele-conference or other communications facilities that permit all persons participating in the meeting to listen to each other clearly, and a Director participating in a meeting by such means is deemed to be present at the meeting and shall be counted in the quorum.

f. Conduct of Meetings

The Chairman shall lead at all meetings of the Board and shall decide the procedures to be adhered, with due regard for the views of the other Directors.

g. Postponement or Cancellation of Meetings

The Chairman may, after consultation with the rest of the Directors, postpone or cancel a Board meeting, by delivering notice to each Director of the postponement or cancellation at least twenty-four (24) hours prior to the scheduled time for the meeting.

**8. Consensus and Decision Making By Directors**

- a. The aim of the Directors is to achieve consensus on all substantive matters associated with the mandate of the Board. Consensus is achieved when all Directors have no substantive disagreement and that there will be no public expression of dissent by any Director on an issue or set of issues before them.
- b. In putting the consensus principle into practice, it is recognised that many administrative matters and other matters which are not central to the substantive purposes of the Board will be managed by the Chairman.
- c. Each Director has a right and obligation to express his or her point of view, listen to proposals and, in the absence of an agreement on resolution of a matter, work towards an agreement by recommending alternatives.

- d. Each Director has the right to expect:
  - i. Sufficient time to become informed and discuss issues in relation to its relative importance and complexity;
  - ii. A clear and accurate expression of areas of agreement and disagreement, if any; and
  - iii. An opportunity for reconsideration on the basis of new information which is substantial and material to the decision.
- e. When unable to support a consensus, a Director has an obligation to:
  - i. Demonstrate that the item at issue is a substantive issue;
  - ii. Demonstrate it justifies further consideration; and
  - iii. Propose alternatives or options for consideration and a time frame for decision.
- f. Directors have an obligation to:
  - i. Act in the best interests of the Company and all its stakeholders;
  - ii. Address proposals pertinent to the mandate of the Board when presented by any Director;
  - iii. Resourcefully seek solutions where disagreement occurs; and
  - iv. Balance the views of each Director while weighing the collective public interest of matters before them.
- g. The Directors should recognise that consensus seeking is facilitated by:
  - i. Careful listening and respect for everyone's views;
  - ii. Patience with requirements for fair process;
  - iii. Sincere attempts to identify alternatives that promote agreement;
  - iv. Understanding the need to make decisions in a timely manner; and
  - v. Willingness to submit items of controversy to objective analysis.

- h. Decision making process by Directors include the following:
- i. In the event a Director requires more time for consideration, the matter will be set aside to enable the Chairman and the Director concerned to devise an approach acceptable to the other Directors.
  - ii. Where consensus cannot be achieved, and where each Director who wishes to speak has been heard and where the Directors have invested time in seeking consensus, the Chairman is given the discretion to call for a vote.
  - iii. The Chairman is to facilitate consensus. He or she is expected to present relevant information, clarify views, help define common ground, and recommend solutions.
  - iv. Any Director can raise, through the Chairman, a request to have the Board reconsiders a decision on the basis of new information that is substantial and material to the decision.
  - v. Disagreement may become damaging if it is projected outside of the Board as a way of discrediting the process and/or participants. The Directors should agree to raise criticisms of the process or the emerging decisions during a Board meeting for resolution rather than comment publicly.
  - vi. The Directors should present a position of unity externally when a decision has been taken. The objective of this consensus methodology is to ensure a thorough and thoughtful evaluation of issues by the Directors.

## **9. Board Meetings without Management**

- a. It is essential that the Board is provided with the sessions to discuss certain matters in the absence of Executive Management to help develop an understanding of its role, assist to build relationships, confidence and cohesion among Directors.
- b. Such sessions which should occur from time to time is as an accepted governance practice. Any issues arising in these sessions that bear on the relationship between the Board and Executive Management should be communicated quickly and directly to the MD by the Chairman.

## **10. Information Materials for Board Meetings**

- a. As a general rule, all such supporting materials and each action to be taken should be distributed in writing to the Board seven (7) days prior to each Board meeting to provide Directors sufficient time to evaluate the proposals and if necessary, request additional information. All Directors should review the Board materials in advance to prepare for meetings.

- b. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is acknowledged that written materials may not be available in advance. However, the Chairman shall seek the approval of all Directors present to proceed with the discussion of the agenda item where the materials have been received less than the seven (7) days prior to the meeting.
- c. All agendas, supporting materials for meetings, and other documents in writing required to be delivered to Directors may be posted to a Director or may be delivered personally, or may be sent by fax, electronic mail or other method of transmittals.
- d. The Board should be provided with both financial and non-financial information that takes into account the Group's own performance and prospects and positioning of the Group being benchmarked against its key competitors and market leaders.

#### **11. Information Flow to the Board**

- a. The Board requires timely, concise and reliable information and analysis that is focused on the key strategies and critical issues to be considered by the Board. In this respect, the Board should specify the amount, type, presentation and regularity of the information it requires and work with Executive Management to define the board information package.
- b. Regular reports should be received by the Board from Executive Management that provide certain information on the measured performance against the budget and strategic plans. Key performance measures that are directly linked to the Group's strategic objectives are most beneficial to the Directors.
- c. Other pertinent matters including a review of the Group's qualitative performance in terms of customer satisfaction, human capital development and achievements on product and service quality, environmental factors, market and competitor analysis news should be provided to the Board.

#### **12. Non-Directors at Board Meetings**

- a. The Board recognises the value of having non-directors attend Board meetings to provide information and opinions to support the Directors in their deliberations.
- b. The Chairman, in consultation with the MD, will determine who shall be invited to the Board meetings and for which agenda items. For issues that fall within the terms of reference of a Board Committee, the Committee chairman may also recommend non-director attendees to the Chairman.

### **13. Board Relations with Executive Management**

- a. These Board Guidelines are made available to Executive Management for their reference. Directors may attention questions or concerns regarding Executive Management's performance to the Chairman or the MD, or through Board's and Board Committee's meetings.
- b. The Board and Executive Management should strive to develop a sense of trust and confidence in each other's ability and performance. A clear understanding of and respect for each party's roles, responsibilities and expectations should exist between the Board and Executive Management.
- c. Directors must respect the organisational structure of Executive Management. In general, a Director has no authority to direct staff. A Director's request for information must be coordinated through the MD unless the Director concerned is of the opinion that the matter would not be adequately dealt with by the MD.

### **14. Size of the Board**

- a. The Board considers its current size as an appropriate and effective Board size for the Company.
- b. The Board will review its size periodically to ensure it has the necessary mix of skills, knowledge and experience to discharge its roles and responsibilities.

### **15. Criteria for Board Membership**

- a. Candidates for Directors will be selected on the basis of a number of factors, including the candidates' reputation, educational background, skills, knowledge, expertise, competence and experience relevant to the Group's business operations, age, time commitment, independence and integrity, and also the Board's diversity and needs. The Board is committed to a diversified membership. The Nomination Committee is responsible for assessing that suitable candidates have an optimum balance of the aforesaid characteristics.
- b. The Nomination Committee will also periodically assess the Board's current and projected strengths and needs by, among other things, reviewing the Board's current profile and the Group's current and future needs.
- c. Directors appointed shall devote sufficient time to carry out their duties and responsibilities. The Board shall obtain this commitment from its members at the time of their appointment.
- d. At the same time, all existing Directors must notify the Chairman before accepting any new directorships. This notification shall include an indication of time required to be spent on the new appointment.

## **16. Directors' Mandatory Accreditation Programme and Continuous Education Programme**

- a. All Directors are encouraged to complete the Mandatory Accreditation Programme within four (4) months from the date of their appointment to the Board. Induction programmes are arranged for newly-appointed Directors to enable them to have a full understanding of the nature of the Group's businesses, current issues and strategic plans as well as the structure and organisation of the Group.
- b. The Board also recognises the importance of continuous education for its members. Each Director is expected to participate in continuing educational initiatives in order to maintain the necessary level of proficiency to discharge his or her duties effectively. It is acknowledged that these continuing education may be provided in different forms including presentations or briefings on particular topics, educational materials, meetings and discussions with Key Senior Management, visits to the Group's facilities, and the appropriate external or internal education programmes.
- c. The Nomination Committee with the assistance of the Company Secretary/ies, will assist the Directors in pursuing their continuing education needs.

## **17. Review of Board Performance**

- a. The Nomination Committee will annually carry out an evaluation to determine whether the Board as a whole and all committees of the Board are functioning effectively. This evaluation which is facilitated by the Company Secretary/ies should contribute to a process of continuous improvement in the Board's execution of its responsibilities. Any under-performance should be followed through with feedback and development of an actionable improvement programme.
- b. The Board evaluation process may change from year to year. It may not be appropriate to do a "full-length" Board evaluation every year. For certain years, it may be appropriate to focus attention on certain aspect of the governance process that the Board feels require particular consideration. The methodology used may also vary from year to year. Some years a questionnaire may be appropriate, other years it may be more effective to undertake interviews with each Director. For the moment, the evaluation is conducted using the evaluation forms set out in Bursa Securities' Corporate Governance Guide (3rd Edition).
- c. Each individual Director is also evaluated annually on the following aspects, that is, (i) fit and proper; (ii) contribution and performance; and (iii) calibre.
- d. All evaluation reports are compiled and assessed by the Nomination Committee for the Board's review and approval.

## **18. Administrative Support for Directors**

The Company Secretary/ies or his or her delegate will provide all required administrative services for the Directors. In addition, they also advise the Board on its roles and responsibilities, corporate disclosures and compliance, corporate governance developments and practices.

***END OF SECTION C***

## **SECTION D: CODE OF ETHICS AND CONDUCT**

With the increased focus on risk management and good corporate governance in today's market and regulatory environment, every Director, officer and employee of the Group has a responsibility and a stake in the governance process. We all share a commitment to integrity, regardless of position, location or level of seniority.

This Code of Ethics and Conduct (“**Code**”) forms the foundation of our compliance and ethics program, and provides guidance for the behaviours expected of us. While it discusses a number of key areas, it is not possible for one document to address every ethical or legal issue we may face. When in doubt, you should seek guidance from your supervisor or a member of Key Senior Management.

## **1. Conflict of Interest**

- a. Conflict of interest arises in any situation in which an individual is in a position to take advantage of his or her role in the Group for his or her personal benefit, including the benefit of his or her family and friends. A conflict of interest can make it difficult for an individual to fulfil his or her duties impartially and correctly. Hence, conflicts of interest must always be avoided in the conduct of business of the Group.
- b. The situations under which conflicts of interest may arise include, but are not limited to when:
  - i. You, in the exercise of your authority, give preference to your interest or the interest of your family/household members, associates or friends rather than to the interest of the Group;
  - ii. You are in a position to influence decisions that are to be made by the Group with respect to dealings with a business, enterprise or entity owned or partially owned by you, your family/household members, associates or friends;
  - iii. You compete with or against the Group;
  - iv. You have an outside job or interest that is interfering with your ability to do your job in the Group; and
  - v. You are hiring or may need to supervise, or may recommend or otherwise influence the hiring decision for, someone who is an immediate family member, or member of your household.
- c. Should such a situation arise, you will be considered to be in a potential conflict of interest position and you will be under a duty, as soon as you become aware of the situation, to inform your respective Head of Department or the MD in writing of the circumstances.

- d. You must then consult with the Head of Department or the MD concerning the most appropriate way of preventing or overcoming the conflict of interest. Following such consultation, the Head of Department or the MD may give such instructions to you as he or she deems appropriate, which may include requiring you or other persons to take the necessary actions to address the conflict of interest.
- e. Your failure to inform the Company when a conflict of interest (or potential conflict of interest situation as described above, however not limited to) becomes known to you and/or failure to comply with the requirements of the Company will be deemed to be a conflict of interest for which appropriate disciplinary action may be taken against you. Conflict of interest and potential conflict of interest which have been fully disclosed and which are formally permitted by the Group will not constitute violations of this Code.

## **2. Confidential Information**

- a. The business affairs and records of the Group comprising business, technical, financial, legal, personnel and contractual records and documents comprising e-mails, letters, reports, calculations, forms, licenses, agreements or other documents or computer software or files of whatever nature and information as to formula, processes and manufacturing methods are all confidential information belonging to the Group.
- b. Such confidential information is strictly private and confidential and may not be utilised, discussed with, divulged to or disclosed to persons inside or outside the Group, except by persons authorised to do so. All necessary precautions are to be taken by you with respect to the confidentiality of such confidential information.
- c. You may not, either during or after your employment or engagement, disclose, divulge or utilise without appropriate authorisation any such confidential information which may have come to your knowledge. You must take all reasonable precautions to keep all such confidential information secret.
- d. You must protect the confidential business information of the Group and its counterparties, and never use it for your own benefit or the benefit of other persons- especially not to trade in shares or other securities or to recommend or cause a third-party to do so, as set out in Section 3 below.

## **3. Insider Information and Securities Trading**

- a. You are required to abide by all applicable laws on insider dealing, which you trade in shares or other securities while in possession of material non-public information or when you share such information with someone who then trades in those shares or other securities. The Group expects all Directors, employees, officers and their respective families/households and others whose relationships with the Group give them access to such information to comply with these principles, along with other laws, regulations and policies concerning the handling of confidential information.

“Material non-public information” is generally non-public information that a reasonable investor would consider important when deciding to buy or sell securities. The restrictions described here also apply to “price sensitive information” or other similar types of information in jurisdictions where the applicable insider trading laws make reference to those types of information.

- b. You are also required to abide by all applicable laws on securities market abuse, which involves spreading false information or engaging in activities designed to manipulate the market for publicly traded securities.
- c. Further details on the above subject matter are set out in the Group Corporate Disclosure Policy which outlined the procedures and processes to be followed in ensuring compliance by all Directors, officers and employees of the Group.

#### **4. Protection of Assets**

- a. You may have possession or are given access to assets, facilities, resources or records belonging to the Group, on the basis of trust and confidence that they are to be used for the furtherance of the interest of the business operations of the Group. These assets may be tangible for example, equipment, including machinery, computer hardware, or cash or they may be intangible, such as intellectual property and computer software.
- b. You are responsible for the safekeeping of all assets, facilities, resources and records belonging to the Group that are provided to you for the performance of your duties. You must diligently give heed to and strictly comply with the Group’s policies and procedures on the use of all assets, facilities, resources and records.
- c. You must take all necessary steps to prevent theft, loss, damage to, or misuse of assets, facilities, resources and records belonging to the Company, the occurrence of which should be reported immediately to your respective Head of Department or the MD. Regardless of condition or value, assets, facilities, resources and records belonging to the Group may not be misused, taken, sold, lent, given away or otherwise disposed of, or used for personal purposes, except with the appropriate authorisation of the MD.
- d. You may be liable for any loss of or damage to assets, facilities, resources and records arising from your wilful misconduct or negligence or careless action or as a result of action taken without appropriate approval, and any financial loss suffered by the Group may be recovered from you by way of deduction from your salary or other means. The Group may at its discretion take any other action against you as it considers appropriate.

## **5. Business Records and Control**

- a. Ensuring accurate and complete business and financial records is everyone's responsibility, not just a role for accounting and finance personnel. Accurate recordkeeping and reporting reflects on the Group's reputation and credibility, and ensures that the Group meets its legal and regulatory obligations.
- b. You must always record and classify transactions in the proper accounting period and in the appropriate account and department. Do not delay or accelerate the recording of revenue or expenses to meet budgetary goals.
- c. Estimates and accruals must be supported by appropriate documentation and be based on best judgement.
- d. You must ensure that all reports to regulatory authorities are full, fair, accurate, timely, and understandable.
- e. You must never falsify any document.
- f. You must not distort the true nature of any transaction.
- g. You must never enable another person's efforts to evade taxes or subvert local currency laws. For this reason, payments generally should be made only to the person or firm that actually provided the goods or services. Payments should be made in the supplier's home country, where it does business, or where the goods were sold or services provided, unless the supplier legitimately has assigned payment or sold its accounts receivable to another entity. All exceptions must be approved by the MD.
- h. You must comply with all policies and procedures established concerning the preparation and maintenance of the Company's and its subsidiaries' books and records.

## **6. Compliance with Laws**

You must comply with all the applicable rules and regulations in Malaysia and all other jurisdictions in which the Group conducts its business operations. You should, however, observe the following, which are not limited to, in the conduct of your business:

- (a) Bribes are prohibited
  - i. Bribery is the giving, or offering to give, anything of value to influence a discretionary decision of a party, which is in violation of the legal rules and regulations.

- ii. The Group refuses to make or take questionable payments, whether or not they meet the level of bribes. The Group does not offer or give anything of value to obtain new business, retain existing business, expedite governmental actions or secure any improper advantage.
  - iii. You must take particular care when evaluating a prospective third-party agent or consultant who is acting on behalf of the Group. You must not engage a third-party agent or consultant if there is reason to believe that the agent or consultant may attempt to engage in bribery.
- (b) Alert to money-laundering
- i. Money laundering consists of concealing illicit funds or making them look as though they are legitimate by funnelling them through legitimate business activities. Anti-money laundering laws prohibit the Group from engaging in transactions that involve funds derived from illegal activities, including transactions designed to promote or conceal illegal activities.
  - ii. The Group conducts businesses with parties that are engaged in legitimate business activities, with funds derived from legitimate sources. Pre-engagement exercises must be carried out on all potential customers and suppliers to ensure integrity of the Group's business partners.

## **7. Personal Gifting and Contribution**

- a. You must not accept or ask for gifts, meals or entertainment, or any other favour, from business partners if doing so might compromise, or appear to compromise, your ability to make objective business decisions in the best of the Group.
- b. You may, however, accept gifts, meals or entertainments that are immaterial as approved by the MD.
- c. If you are offered a gift, meal or entertainment that exceeds the limits approved by the MD, politely decline and explain the Group's rules to the giver. If returning a gift would offend the giver, or the circumstances under which it was given preclude its return, you may accept the gift, but should notify the MD. The MD or the persons authorised by him or her will work with you either to donate the gift to charity, or to distribute or raffle the gift among a large group of employees.
- d. You must not give the Group's stocks as a gift on behalf of the Group under any circumstances, unless permitted by the MD.

## **8. Safety, Health and Environment**

- a. The Group is committed to providing a safe and healthy workplace for all employees working at its facilities and minimising the impact of its operations on the environment. The Group requires that all employees and third parties working on its premises to observe and comply with the Group's safety and operating procedures, especially when operating its production facilities.
- b. Working under the influence of alcohol, illegal drugs, or abuse of prescription drugs undermines your work, productivity and safety. The use of illicit drugs, abuse of prescription medication and consumption of alcohol, affect not only yourself, but also your colleagues, and is therefore prohibited under all circumstances.
- c. The Group prohibits the illegal use, sale, dispensing, distribution, possession, or manufacture of illegal drugs or other controlled substances. The Group also prohibits intoxication or abuse of prescription medication.

***END OF SECTION D***