

## Board Charter

### 1. INTRODUCTION

This Board Charter provides the Board of Directors (“**Board**”) of Salutica Berhad (“**Company**”) and its subsidiaries (the “**Group**”) the key corporate governance principles to be adopted by the Board of the Company in carrying out their roles and discharging their duties.

Members of the Board are expected to show good stewardship and act in a professional manner with honesty and integrity in accordance with the law in serving the interest of its shareholders, employees, customers, the community and other stakeholders.

The Board will carry out its mandate directly and/or through various committees of the Board and such other committees that may be appointed from time to time which includes amongst others, the Audit Committee, the Remuneration Committee, and the Nominating Committee, as the case may be.

The Board is committed towards adopting a Corporate Governance Framework which complies with the principles of the Malaysian Code on Corporate Governance 2012 (“**MCCG 2012**”), where applicable to the Group’s operational and business environment. This Charter serves as a reference to the Board members and does not replace or supersede the laws of Malaysia or the regulatory frameworks applicable.

### 2. PURPOSE

The Board Charter sets out the authorities, roles, functions, compositions and responsibilities of the Board to assist the Directors to be aware of their roles, duties and responsibilities and to effectively discharge their fiduciary duty in managing the affairs of the Company and the Group.

### 3. THE BOARD

This Charter is a source reference and primary induction program to provide insights to prospective Board members and senior management.

#### 3.1 Composition and Board Balance

- The Board consists of qualified individuals with diverse skill, experiences, knowledge and perspectives. The composition and size of the Board is such that it facilitates the decision making of the Company;
- The Company’s Articles of Association allow a minimum of two (2) and a maximum of seven (7) Directors. The Board shall, from time to time, review its size and composition to ensure its appropriateness;
- The Board recognises the importance of independence and objectivity in the decision making process. At least two Directors or 1/3rd of the Board of the Company, whichever is the higher, are independent Directors. If the number of Directors of the Company is not three (3) or a multiple of three (3), then the number nearest 1/3rd shall be used;

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- The Board should comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director;
- Independent Directors are appointed as recommended by the Code;
- The Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations;
- The Independent Directors help to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board; and
- Profiles of Board members are included in the Annual Report of the Company.

### 3.2 Role of the Board

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- Review and approve strategies, business plans and significant policies and ensure that the Group's goals are clearly established, and to monitor implementation and performance of the strategy, policies, plans, legal and fiduciary obligations that affect the business by adopting performance appraisal measures;
- Ensure a competent management by establishing policies for strengthening the performance of the Group with a view to proactively build the business through innovation, initiative, technology, new products and the development of its business capital;
- To evaluate whether the business is being properly managed and to ensure that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard the Company's assets;
- To ensure that the Group has appropriate business risk management process, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;
- Establish various Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the various board committees and acting on their reports;
- Ensuring that the statutory accounts of the Company and the Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
- Ensuring that there is in place an appropriate succession plan for members of the Board and senior management;

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- Ensuring that the Group adheres to high standards of ethics and corporate behaviour including transparency in the conduct of business. Directors are required to comply with the Directors' Code of Best Practice which amongst others includes the declaration of any personal, professional or business interests, direct or indirect which may conflict with directors responsibilities as a Board Member and to refrain from voting on such transaction with the Group; and
- Ensuring that there is in place an appropriate investor relations and communications policy.

### 3.3 Role of the Individual Directors

- Be proactive in seeking more information within the Company and the industry, in an effort to have a broad current knowledge so as to participate and contribute effectively in the meetings.
- Exercise independent judgement when making decisions and act strictly in the best interest of the Company and its shareholders generally and not in the interest of any one shareholder or group of shareholders. Directors are encouraged to be forthright in Board meetings, to question, request information or raise any issue of concern with the Board and management.
- Seek professional independent advice at the Company's expense, where he or she perceives an irregularity in the Company related matter. The director must ensure that the costs are reasonable and must discuss with the Chairperson before the advice is obtained.
- Maintain confidentiality on Board discussions and deliberations. Similarly, all confidential information received by a director in the course of the exercise of his or her duties remains the property of the Company. It is, therefore improper to disclose it or allow it to be disclosed, unless the disclosure has been authorised by the Board or required by law.
- Maintain the independence of the Board by being sensitive to conflicts of interest or duty that may arise and mindful of their fiduciary obligations. In view of this, directors must disclose in writing to the Board any actual or potential conflict of interest or duty that might reasonably be thought to exist as soon as the situation arises, and in addition take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty.
- Continuously educate themselves to maintain the necessary depth and breadth of knowledge and skills.

### 3.4 Role of the Senior Independent Non-Executive Director

- Be available to shareholders if they have concerns relating to matters which contact through normal channels of Chairperson or CEO/MD has failed to resolve, or for which such contact is inappropriate;
- Maintain contact as required with major shareholders to have a balance understanding on their issues and concerns.

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### 3.5 Role of the Chairman

- It is widely recognised that the appointed Chairperson should be a non-executive director and the roles of the Chairperson and the CEO/MD should be split. However, if the roles are combined, a decision to combine these roles should be publicly explained.
- The Chairman is responsible for providing leadership to the Board in matters relating to the effective execution of all Board responsibilities. In the event that the Chairman of the Board is not an Independent Non-Executive Director, he remains primarily responsible for the orderly conduct and effective function of the Board.

### 3.6 Role of the Managing Director

- The Group Managing Director / CEO is responsible for the day to day management of the business as well as implementation of the Board's policies and decisions.
- To put in place initiatives that will shape the corporate direction and values of the Group.
- To lead, manage and provide strategic direction to the Group towards achieving the Group's aspiration that everything is done is '*salutable*' by all parties be it customers, suppliers, employees and stakeholders.
- To plan, develop and execute the Group's strategic initiatives.
- To oversee the internal control systems and the risk management processes and ensure these systemised processes are appropriate and effective.
- To ensure value creation to shareholders through profitable growth.
- To optimization of resources towards achieving the Group's targeted level of growth.
- To develop and ensure execution of the Group's communication and brand strategy.
- To provide strong leadership that is, effectively communicating a vision, management philosophy and business strategy to the employees and building up a strong management team for the Group.
- To create a high performance organisation that will attract, motivate and retain best talent.
- To put in place an effective succession plan for key positions within the Group, leadership development programme and talent retention strategy.
- To maintain effective relationships between the Management, the Board and other stakeholders.

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### **3.7 Role of the Board Committees Chairperson**

- Ensuring the Board Committee membership consist of a balance of skills and experience that would enhance the Board Committee's activities and discussions.
- Ensuring the Board Committee's work is in accordance with best practices so that it is able to discharge its duties effectively and comply with regulatory requirements.
- Empowering all Board Committee members to challenge issues and manage these debates without creating unnecessary conflicts.
- Ensuring that the Board Committee is provided with appropriate flow of information to enable them to perform their duties competently.
- Ensuring high quality reporting to the Board on the work of the Board Committee including identification of solutions to issues and concerns identified by the Board Committee.

### **3.8 Appointments & Induction Plan**

- The Nomination Committee is responsible for recommending candidates for appointment or re-election to the Board. In making these recommendations, the Nomination Committee will consider the required mix of skills, experience and diversity, including gender.
- New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to devote sufficient time and attention to the affairs of the Company.
- The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.
- Upon appointment, new Directors are provided with comprehensive information on the Group to enable them to gain a better understanding of the Group's strategies and operations, and hence allow them to effectively contribute to the Board.

### **3.9 Directors' Training**

In addition to the Mandatory Accredited Programme (MAP) as required by the Bursa Securities, Directors are required to attend relevant training courses/seminars to keep them abreast with current development on technical matters for knowledge and skills enhancement. The Board shall assess the training needs of the Directors and ensure its members have access to appropriate continuing education programmers. The Directors are also encouraged to attend various external professional training programs and/ or seminars on a continuous basis to enable them to effectively discharge their duties and to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates. Trainings attended by the Directors during the year shall be disclosed in the Annual Report.

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### **3.10 Tenure of Directors**

- Pursuant to the Company's Articles of Association, every newly appointed Director is subjected to re-election at the Annual General Meeting immediately following their appointment. Furthermore, one third or number nearest to one third of the Board shall retire from office and be eligible for re-election at every Annual General Meeting, and all the Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.
- There is a maximum age of 70 years for Directors. However, a Director who has attained the age of 70 years may be re-appointed as a Director until the next Annual General Meeting provided that the resolution must be passed by a majority of not less than three quarters (3/4) of such members of the Company present and voting who, being entitled to do so, vote in person or by proxy at the General Meeting of the Company.
- The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

### **3.11 Directors Remuneration**

- The Board as a whole will determine the level of remuneration paid to its Directors based on the assessment by the Remuneration Committee.
- The performance of Directors is measured by the Directors' contribution and commitment to the Company.
- The Executive Directors' remuneration will depend on the performance of the Group which are reviewed annually by the Remuneration Committee.
- Directors' fees will be endorsed by the Board and subject to approval from shareholders at the Annual General Meeting.

### **3.12 Succession Planning**

- The Board as a whole, shall be responsible for selecting its own members and in recommending them for election or re-election by the Company's Shareholders.
- The Board has delegated the process of selecting and recommending its members for election or re-election to the Nomination Committee.
- The Group Managing Director shall be responsible for setting the direction and monitoring the implementation of management and executive succession planning

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### **3.13 Access To Information and Independent Advice**

- The Board should have access to all information pertaining to the Company. Management should supply accurate and complete information to the Board in a timely manner to enable the Board to discharge its duties effectively.
- The Board as well as any Director may seek independent professional advice relating to the affairs of the Group or his responsibilities as a Director, at the Company's expense. If a Director considers such advice is necessary for the benefit of the Company, such Director shall first discuss with the Chairman. The Director must also ensure that it is practicable and the cost is reasonable.
- The Board members have unlimited access to the professional advice and services of the Company Secretary.

### **3.14 Board Meetings**

- Meetings will be conducted at least on a quarterly basis. Notice of meeting will be circulated to all Directors prior the meetings.
- Board members are required to attend the Board meetings. The attendance of each Director in the meetings held in a financial year is required to be disclosed in the Annual Report.
- Where necessary, senior management may be invited to attend meetings for particular items within their responsibility. The Board may also invite external consultants as and when the need arises.
- A full agenda and comprehensive Board papers will be distributed to all Directors in advance of each Board meeting. The Board shall record its deliberations, in terms of the issues discussed and the conclusions thereof in discharging its duties and responsibilities.
- Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.

## **4. BOARD COMMITTEES**

The Board has established the following Board Committees to assist in the execution of its responsibilities with specific terms of reference:

### **4.1 Audit Committee**

Audit Committee assists in providing oversight on the Group's financial reporting, disclosure, regulatory compliance and monitoring of internal control processes and risk management within the Group. The Audit Committee reviews the quarterly financial results, unaudited and audited financial statements, internal and external audit reports as well as related party transactions.

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### **4.2 Nomination Committee**

The Nomination Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director. The Nomination Committee must be chaired by a Senior Independent Director.

### **4.3 Remuneration Committee**

The Remuneration Committee is primarily responsible for examining and making recommendation to the Board as to the remuneration packages for Directors.

## **5. FINANCIAL REPORTING**

### **5.1 Transparency**

- In presenting the annual financial statements and quarterly announcements to the shareholders, including other price sensitive information and relevant reports submitted to regulators, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.
- The Directors ensure that the financial statements are prepared in accordance with the approved accounting standards, so as to give a true and fair view of the state of affairs of the Group.

### **5.2 External Auditors**

- The Audit Committee keeps under review the scope and results of the audit and its cost effectiveness and the suitability, independence and objectivity of the External Auditors.
- The Board understands the independence of External Auditors can be impaired by the provision of non-audit services to the Company. The Company ensures that the Company Auditors do not supply a substantial volume of non-audit services to the Company.
- To provide support for an assessment on independence, a written assurance is obtained from the external auditors confirming they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- Appointment of the Company Auditors is subject to approval of shareholders at General Meetings. The Company Auditors have to retire during the AGM every year and be re-appointed by shareholders for the ensuing year.



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### **5.3 Internal Controls and Risk Management**

- The Board has empowered the Audit Committee with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control and risk management.
- The Company has a well-resourced internal audit function, which reviews all aspects of the Company's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis.
- The Group has an ongoing process where regular meetings between the key management staff are conducted for identifying, evaluating and managing the significant risks affecting the environment of its business objective. This process has been in place throughout the financial year. The process is reviewed by the Board and is in accordance with the guidelines 'Statement of Internal Control: Guidance for Directors of the Public Listed Companies'

### **6. GENERAL MEETINGS (Annual General Meeting and Extraordinary General Meeting)**

- The Company regards the General Meetings as an important event in the corporate calendar of which all Directors and key management executives should attend.
- The Company regards the General Meetings as the principal forum for dialogue with shareholders which provides an important opportunity for effective communication with the Company's shareholders.
- The Chairman encourages participation by the shareholders at the General Meetings.

### **7. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION**

- The Board shall place great importance in ensuring the high standards of transparency and accountability in its communication to shareholders, as well as to potential investors, analysts and the public. The shareholders shall be informed of all material matters affecting the Group.
- The Annual General Meeting and Extraordinary General Meeting serves as a main mechanism in shareholders communication. The Board encourages shareholders to participate in the question and answer session at the general meetings.
- Other ways of communication to shareholders and investors, are as follows:-
  - timely announcement and disclosures made to the Bursa Malaysia Securities Berhad, which includes quarterly financial results, to provide shareholders with an overview of the Company performance and operation and any other material information that may affect investors' decision making;

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- regular dialogues with financial analysts;
- press interview which is normally held after each AGM to provide the media an opportunity to receive an update from the Board on the Company's performance and to address any queries or areas of interest of the media; and
- the Company's website provides easy access to corporate information pertaining to the Company and its activities.

### **8. COMPANY SECRETARY**

- The Company Secretary plays an important advisory role and is a source of information and advice to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations and other governance matters affecting the Company.
- The key responsibilities of the Company Secretary include:
  - advise the Board on governance issues;
  - ensure compliance of listing and related statutory obligations;
  - attend Board, Committees and general meetings, and ensure the proper recording of minutes;
  - ensure proper upkeep of statutory registers and records; and
  - assist in the preparation for and conduct of meetings.

### **9. CODE OF ETHICS AND CONDUCT**

The Code of Ethics and Conduct is to be observed by the Directors and employees of the Group. The Board will review the Code regularly to ensure it continues to remain relevant and appropriate.

### **10. REVIEW OF THE BOARD CHARTER**

- The Board Charter is approved and adopted by the Board.
- The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations issued by the relevant authorities.

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