



# **ASDION BERHAD**

(Company No. 200201023149 / 590812-D)

(Incorporated in Malaysia)

## **BOARD CHARTER**



## BOARD CHARTER

### A. INTRODUCTION

1. The Board of Directors ("Board") of ASDION Berhad ("ASDION" or "the Company") believes that corporate governance is synonymous with the concepts of integrity, transparency, accountability and professionalism. It adopts a governance framework that is formulated based on the principles and recommendations of the Malaysian Code on Corporate Governance ("the Code").
2. ASDION Group practices high standards of corporate governance to ensure the maximization of shareholders' value and safeguarding the stakeholders' interests, concurrent with proper considerations to environmental, social and governance aspects of business.
3. Members of the Board in discharging their duties and exercising their responsibilities to enable effective governance and oversight, collectively establish this Board Charter to reflect the Board's commitment to securing sustainable financial results and enhancing shareholders' value.

### B. BOARD ROLES AND RESPONSIBILITIES

1. The Board shares a fundamental stewardship role and is responsible for the overall direction of ASDION Group's business operation. Apart from legal and statutory responsibilities, the Board assumes the following responsibilities:
  - (a) provides continuity for ASDION by setting corporate objectives and strategic direction with the development and implementation of long-term plans; ensures the management's action plans are responsive to changes in the environmental context and organizational realities;
  - (b) ensures availability of financial and human resource to meet objectives;
  - (c) oversees management's running of the Company's business and to evaluate whether the business is being properly managed to ensure conformance to established targets;
  - (d) ensures implementation of various policies and decisions throughout ASDION Group;
  - (e) defines the risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major or significant risk facing the Group;
  - (f) reviews the adequacy and integrity of ASDION Group's internal control systems;
  - (g) approves the financial statements and accounting principles of ASDION Group;
  - (h) establishes ASDION Group's values and standards and ensures that the shareholders' interests are kept;
  - (i) through Audit Committee, liaises with external auditors on accounting policies and practices, compliance issues and reporting to shareholders;

- (j) ensures senior management are of sufficient calibre, and provide for the orderly succession of senior management.

## **C. BOARD COMPOSITION**

### **1. Structure**

- (a) In accordance with Clause 55 of ASDION's Constitution, the Company must have at least two (2) but not more than eleven (15) Directors.
- (b) At least two (2) Directors or one-third ( $\frac{1}{3}$ ) of the Board of the Company, whichever is the higher, are Independent Directors.
- (c) In the event of any vacancy in the Board resulting in non-compliance with paragraph (b) above, the Company must fill the vacancy within three (3) months.
- (d) In compliance with the Code:
  - (i) the tenure of an Independent Director should 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-Executive Director; or
    - the Board must justify and seek annual shareholders' approval in the event it retains that Director as an Independent Director.
  - (ii) if the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.
  - (iii) the Board will through the Nominating and Remuneration Committee, take steps to ensure that women candidates are sought as part of its recruitment exercise, subject to the suitability of the candidate in terms of competencies, experience and characteristics required by the Board in the context of the needs of the Group.

### **2. Chairman**

- (a) In compliance with the Code, the Chairman of the Board must be a Non-Executive Director. If the Chairman is not an Independent Director, the Board must comprise a majority of Independent Directors.
- (b) The Chairman plays a crucial leadership and pivotal role of ensuring that the Board works effectively. The key roles of the Chairman are:
  - (i) acting as facilitator at meetings of the Board and of the members to ensure each Board meeting and general meeting is planned effectively, conducted according to the Constitution and that matters are dealt with in an orderly, efficient manner;
  - (ii) ensuring full participation of the Executive, Non-Executive and Independent Directors in the Board's decision making processes and activities;

- (iii) ensuring that the whole Board plays a full and constructive part in developing and determining the Company's and/or Group's strategy and overall business and commercial objectives;
- (iv) directing discussions at all Board meetings towards the emergence of a consensus view and sum up discussions so that every board member understands what has been agreed;
- (v) providing governance in matters requiring corporate justice and integrity; and
- (vi) representing the Board as its figurehead and spokesperson at function or general meetings.

### **3. Deputy Chairman**

- (a) The Non-Executive Deputy Chairman is to assist the Chairman of the Board, and in the absence of the Chairman, he/she will assume the role of the Chairman of the Board.

### **4. Group Managing Director / Executive Director**

- (a) Being the senior executive of the Company, the Group Managing Director is accountable to the Board for the overall performance of ASDION Group and the day-to-day running and management of the group's business, under delegated authority from the Board.
- (b) The responsibilities of the Group Managing Director / Executive Director include:
  - (i) formulating and implementing Group's policy, objectives, strategies and plans towards profitable growth and operation of the Group;
  - (ii) putting in place adequate operational planning and financial control systems;
  - (iii) working with other Executive Directors and management, closely monitoring their actions, the operating and financial results against plans and budgets;
  - (iv) regularly keeping the Chairman and the Board informed of all matters that of importance to the Group, including its current performance and progress;
  - (v) taking remedial action where necessary and informing the Board of significant changes;
  - (vi) exercising executive stewardship of the Group's resources;
  - (vii) leading the management at all levels throughout the Group and providing motivation and skills or professional development;
  - (viii) ensuring compliance with all relevant legislation and regulations by reviewing policies and monitoring compliance; and
  - (ix) recommending to the Chairman and the Nominating and Remuneration Committee, nomination for appointment of new candidate to the Board and/or Board Committees.

## **5. Other Executive Directors**

- (a) Other Executive Directors of the Company are responsible to assist the Group Managing Director / Executive Director in the implementation of Board's decision and policies, oversees the operations and also coordinating business and strategic decisions.
- (b) There is a division of responsibility among the Executive Directors including the Group Managing Director / Executive Director through a well defined organisational structure with clear lines of accountability and responsibility to ensure an appropriate balance of power and authority, increased authority and greater capacity for independent decision-making.

## **6. Non-Executive Directors**

- (a) In consideration of the time devoted to the Company's affairs is likely to be lesser for Non-Executive Directors than for Executive Directors, the Non-Executive Directors (including Non-Independent and Independent Directors) cannot reasonably be expected to have the same detailed knowledge and experience of the company's affairs as Executive Directors. However, they play governance roles which should provide independence, oversight and constructive challenge to the Board.
- (b) Non-Executive Directors should contribute to the development of strategy, bringing their experience and expertise to bear and should hold the Executive Directors to account for delivery of the strategy, effectiveness of the internal controls, oversight of risks etc. They should also bring their specific relevant expertise to the workings of Board Committees.

## **7. Board Committees**

- (a) The Board has set up the following two (2) Committees to delegate specified matters to them to assist the Board in overseeing certain major functional areas and to address matters which require detailed review or in-depth consideration:
  - (i) Audit and Risk Management Committee; and
  - (ii) Nominating and Remuneration Committee
- (b) All the two (2) Board Committees have their own terms of reference which state clearly the requirements of their composition, extent and limits of their responsibilities and authority.
- (c) The Board may further delegate its responsibilities to individual members or other committee of the Board as and when it considers appropriate.

## **8. New Board Members**

- (a) Any Board member or member of the Company may make nomination of a new candidate for appointment to the Board, subject to the total number of Directors does not at any time exceed the maximum number determined in accordance with the Company's Constitution.
- (b) The Nominating and Remuneration Committee is authorised to review the profile of the nominated candidate and make recommendation to the Board or the members whether the candidate is suitable to be appointed as a Director of the Company.

- (c) New Director shall attend training programmes as may be prescribed by the Exchange from time to time. In addition, the Company shall conduct an induction programme to brief and guide the new Director about the Group's structure, management and operation so that he will be able to give pertinent opinions and constructive proposals to the deliberation and decision-making of the Board.

#### **9. Term limits**

- (a) Save and except for the restricted tenure of Independent Director as stated in above paragraph 1(d)(i) under Section C: Board Composition, the Board does not establish term limits. The Board believes that term limits hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.
- (b) However, in accordance with Clause 78(a) and 78(b) of the Company's Constitution, one-third ( $\frac{1}{3}$ ) of the Directors shall retire from office at each annual general meeting of the Company and every Director must retire from office at least once every three (3) years.

#### **D. BOARD MEETINGS**

1. The Board shall meet at least four (4) times in a financial year with additional meetings to be convened as and when necessary.
2. Matters regarding the convening and conducting of meetings are governed by the Company's Constitution.
3. The Board shall discuss, review and deliberate the matters at its meeting to make collective decision (excluding the Directors who have interests in the transactions).
4. A schedule of future Board and Committee meetings will be given to the Directors for them to plan well in advance so that they have the opportunity to attend the meetings. Nevertheless, they should recognise the need to be available at all times, particularly to meet the needs of the Company at times of significant challenge or crisis.

#### **E. MATTERS RESERVED FOR THE BOARD DECISION**

1. The Board shall have a formal schedule of matters specifically reserved for the Board's deliberation and decision and shall include the following:-
  - (a) **Conduct of the Board**
    - (i) Appointment and recommendation for removal of directors.
    - (ii) Appointment and removal of Company Secretaries.
    - (iii) Establishment of Board Committees, their members and the specific terms of reference.

- (iv) Recommendation for appointment/re-appointment of auditors.
- (v) Appointment of senior management positions, including that of the Group Managing Director, Executive Director, key senior management and their duties and the continuation (or not) of their service.

(b) **Remuneration**

- (i) Recommendation of Directors' fees/remuneration arrangements for Non-Executive Directors to be approved by shareholders.
- (ii) Approval of remuneration packages including service contracts for Group Managing Director and Executive Director.
- (iii) Approval of remuneration structure and policy for Group Managing Director, Executive Directors and key senior management.

(c) **Operational**

- (i) Review and approval of strategic plan.
- (ii) Approval of capital expenditure exceeding prescribed thresholds based on the formalized limits of authority.
- (iii) Approval of investment or divestment in a company/business/property undertaking;
- (iv) Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
- (v) Approval of changes in the major activities of the Company or Group.
- (vi) Approval of treasury policies and bank mandates of the Company.
- (vii) Approval of the limits of authority for the Company and the Group.

(d) **Financial**

- (i) Approval of interim and annual financial statements.
- (ii) Approval for the release of financial announcements.
- (iii) Approval of the Directors' Report, Statutory Account, Corporate Governance Overview Statement, CG Report and Statement of Risk Management and Internal Control for inclusion in the Company's Annual Report.
- (iv) Approval of interim dividends, the recommendation of final dividends or other distribution for shareholders' approval.
- (v) Adoption of accounting policies in line with Financial Reporting Standards.
- (vi) Review the effectiveness of the Group's system of risk management and internal control. This function is delegated to the Audit Committee which will in turn report to the Board on its findings.

(e) **Other Matters**

- (i) Recommendations for the alteration of the Company's Constitution.
- (ii) Scheme of reconstruction or restructuring.
- (iii) Any other significant business decision.
- (iv) Any other matter requiring the convening of a general meeting of shareholders or any class of shareholders.
- (v) Any other matters as may be required by the laws or the governing authorities.
- (vi) Any other matters requiring the Board's approval under the limits of authority adopted by the Company and the Group.

**F. OTHER BOARD PRACTICES**

**1. Resignation, retirement, removal and vacation of office of Directors, and filling of casual vacancy**

Reference shall be made to the Company's Constitution pertaining to the regulation for the resignation, retirement, removal and vacation of office of Directors under other circumstances, and the filling of casual vacancy arising therefrom.

## 2. **Remuneration of Directors**

The remuneration package for Executive Directors is reviewed by the Nominating and Remuneration Committee and recommends to the Board for approval. The Board, as a whole, based on the recommendation of the Nominating and Remuneration Committee, approve the fees and benefits of each Director with the Directors concerned abstaining from the decision in respect of their individual remuneration and recommends to the shareholders for approval at the Annual General Meeting.

## 3. **Performance Evaluation of the Board**

The Board of Directors will conduct an annual self-evaluation to determine whether the Board, its Committees and each Director are functioning effectively. The Nominating and Remuneration Committee is entrusted to conduct an annual assessment and report to the Board. The assessment will focus on the contribution of the Board, Board Committees and Directors to the Company and specifically focus on areas in which the Board or management believes that the Board, Board Committees and/or Directors could improve.

## 4. **Disclosure of interests**

- (a) A Director must give notice in writing to the Company of his interests in shares, debentures, participatory interests, rights and options in ASDION Group ("Interests"),
- (i) upon the date on which he became a Director of the Company; or
  - (ii) within one (1) full market day from the date of the acquisition, change or cessation of Interests transpires during the closed period as defined in the MMLR of the Exchange; or
  - (iii) within three (3) market days from the date of the acquisition, change or cessation of Interests transpires outside the closed period.
- (b) A Director who
- (i) is in any way, whether directly or indirectly interested in a contract or proposed contract with ASDION Group; or
  - (ii) holds any office or possesses any property whereby whether directly or indirectly duties or interests might be created in conflict with his duties or interests as Director of the Company

shall declare the nature of his interest or the conflicts of interest at the first Board meeting after he becomes a Director or (if already a Director) after

- the relevant facts of the contracts have come to his knowledge (for declaration of interest in contract under the above paragraph 4(b)(i))
- he commenced to hold the office or to possess the property (for declaration of conflict of interest under paragraph 4(b)(ii)).

## 5. **Directorship in other company(ies)**

Subject to the restriction on holding not more than five (5) directorships in listed issuers as prescribed in the MMLR, the Directors should carefully consider the number of other boards on which they can serve consistent with the time and energy necessary to satisfy the

requirements of Board and Committee memberships. The Directors should also carefully consider any actual or apparent conflicts of interest and impairments to independence that service on other boards may create. In furtherance of these considerations, the Directors must notify the Board in a timely fashion before accepting an invitation to serve on the board of another public company. This prior notice is to allow discussion with other Directors of the Board to review whether such other service will interfere with the Director's service on the Company's Board, impact the Director's status as an Independent Director, or create an actual or apparent conflict of interest for the Director.

6. **Consultation of external professional advice**

The Board and each Committee have the power to engage experts or advisors, including independent legal counsel, deemed appropriate by the Board or the Committees. The Company will provide for appropriate funding, as determined by the Board or Committee, for payment of compensation to any such counsel, experts or advisors engaged by the Board or any Committee in the course of discharging their duties.

7. **Training**

The Board shall assess the training needs of each Director. The Directors should take responsibility for their ongoing training and continuous development, including keeping abreast of developments within the Group, its sector, and the legal, regulatory and governance environment.