

## **BOARD OF DIRECTORS' CHARTER**

EDARAN BERHAD<sup>241644-W</sup>

[www.edaran.com](http://www.edaran.com)

This Board of Directors' Charter, based on the established Edaran's Group Charter and Malaysian Code on Corporate Governance 2017 (MCCG2017) guidelines have been adopted by the company to assist the Board and its committee in the exercise of their responsibilities.

The established Group Charter contains the company's philosophy, values, vision and hope. Abiding by the charter will ensure the Group's future success and prosperity.

### **1. ROLES AND RESPONSIBILITIES**

#### **1.1 Relationship of the Board to Management**

Segregation of duties between the Board and the Management is established. The Standing Operating Procedures (SOP) 27 set out the Limit of Authorization and the Managing Director/Chief Executive Office is responsible for the corporate objectives as guided by the Board.

The Board reviews and approve the annual business plans and assigned the implementation to the Managing Director and the Management Committee.

The Risk Management Committee (RMC), a sub-committee of the Board was formalised on 30 August 2002.

The RMC's functions include:

- To develop a risk management framework;
- To co-ordinate and monitor the effectiveness of the Group's risk management activities; and
- To co-ordinate the identification of the Group's key business risks together with mitigating action plans.

#### **1.2 Principal Responsibilities of the Board**

The basic responsibility of the Directors is to exercise their business judgement to act in what they reasonably believe to be in the best interests of the company and its shareholders. In discharging the obligation, directors should be entitled to rely on the honesty and integrity of the company's senior executives and its outside advisors and auditors.

In furtherance of its responsibilities, the Board of Directors should assume, among others, the following responsibilities:

- **Reviewing and adopting a strategic plan for the company**

Board is to review, challenge and approve management's proposal on the strategic plan for the company. The board is to bring the objectivity and breadth of judgement to the strategic planning process and satisfy itself that management has taken into account all appropriate considerations in establishing the strategic plan. The Board is to monitor the implementation of the strategic plan by management.

- **Overseeing the conduct of the company's business**

Board is to oversee the performance of the management to determine whether the business is being properly managed. The Board is to ensure that there are measures in place to assess the management's performance.

- **Identifying principal risks and ensuring the implementations of appropriate internal controls and mitigation measures**

Board is to review and assess the effectiveness of the company's policies and practices with respect to risk assessment and risk management. This is to achieve a proper balance between risks exposure and potential returns to stakeholders.

- **Succession Planning**

Board is to ensure that all candidates appointed to senior management positions are of sufficient calibre. The board should also be satisfied that there are programmes in place to provide for the orderly succession of senior management.

- **Overseeing the development and implementation of a shareholder communications policy for the company**

Board is to ensure that the company has in place a policy to enable effective communication with its shareholders and other stakeholders. The policy should include how feedback received from its stakeholders is considered by the company when making decisions.

- **Reviewing the adequacy and the integrity of the management information and internal controls system of the company**

The Board has to ensure that there is a sound framework of reporting on internal controls and regulatory compliance.

### 1.3 Code of Conduct

The Code of Conduct for Directors (Code) has been made based on the Edaran's Group Charter and in line with the requirement of the MCCG 2017. The Code provides guidance to the Board and the senior management to assist them in carrying out their duties and responsibilities and defines the standards of professional conduct. The Board is responsible for setting the standards of conduct contained in the Code and for updating these standards as appropriate in accordance with the legal and regulatory requirements.

Each Board member has to read and understand this Code and its application to the performance of his or her responsibilities and is accountable for adherence to this Code.

The Board members will:

- Act in the best interests of, and fulfil their fiduciary obligations to the company;
- Act honestly, fairly, ethically and with integrity;
- Comply with all applicable laws, rules and regulations;
- Not use any information or opportunity received by them in their capacity as directors in a manner that would be detrimental to the company's interest;
- Not use the company's property or position for personal gain;
- Act in a manner to enhance and maintain the reputation of the company;
- Respect the confidentiality of information relating to the affairs of the company acquired in the course of their service as directors, except when authorized or legally required to disclose such information;
- Not use confidential information acquired in the course of their service as directors for their personal advantage or for the advantage of any other entity;
- Help to create and maintain a culture of high ethical standards and commitment to compliance;
- Receive in writing or face-to-face conversation or interview or other ways in which the information of any wrongdoings can be transmitted;
- Treat in a confidential and sensitive manner on the disclosure of any wrongdoings i.e. violation of law, rule, regulation and/or a direct threat to the company's interests, such as corruption, fraud or health/safety violations;
- Treat both the whistleblower and the alleged wrongdoer fairly; and
- Take reasonable steps so that any individual making disclosure will retain his/her anonymity unless he/she agrees otherwise.

This Code may be amended, modified or waived by the Board, subject to the disclosure and other provisions of the Malaysian Code on Corporate

Governance issued by Stock Exchange, and any other rules made in connection thereto. This code is available at [www.edaran.com](http://www.edaran.com)

#### **1.4 Achieving Sustainability**

The speed of change of the business landscape has accelerated tremendously. There will be a more urgent need for new knowledge, new skills and new applications for the company to remain relevant and sustainable.

The company will pursue success and prosperity only through acceptable and justifiable means, mindful always to others and of the environment.

The company's philosophy established in the Group Charter will serve as the guide to the way to conduct the business and to achieve sustainability. The philosophies are:

- Subscribing to the universal principle of “...*habluminnallah wa habluminnannas...*”;
- Acknowledge that mankind and all the creations are bound in a covenant with the creator;
- Being grateful to Almighty God and be appreciative of all His Creations;
- Paying respect to all forms of life and strive to be in harmony with nature and the environment;
- Holding to the principle that no single generation has the right to plunder and destroy the earth's resources and environment to the detriment of future generation;
- Continually seek knowledge because it is the key to development, growth, new possibilities and success;
- Strive to deliver quality at all times;
- Deliver upon the promises;
- Guided by ethics, values and principles in business dealings;
- Pursue success through acceptable and justifiable means;
- Believe that both the ends and means must be equally justifiable;
- The success pursued must go beyond profit and material gains; and
- Seeking His acceptance and blessing.

#### **1.5 Access of Information and Advice**

The Board papers contain various financial performances, future projections, Group's operational progress as well as non-quantitative performances. These are deliberated upon at least on a quarterly basis.

The Board have access to all necessary information and communicate their needs for additional information during Board meetings or request from the MD/CEO.

As set out in the SOP and the Board of Directors' terms of reference, the Board may recommend taking independent professional advice. The decision will be made collectively in accordance with procedures stated in the SOP and/or Board Committees' terms of reference.

## **1.6 Company Secretary**

The Company Secretaries have several years of experience and are qualified to adequately carry out their duties.

## **1.7 Board Charter**

This Board Charter is in addition to the company's established Group Charter that serves as the guide for the way to conduct. This charter has also included the following:

- i. Board's roles and responsibilities;
- ii. Relationship of the Board to Management; and
- iii. Board meeting process.

The Board meetings will be held regularly. A schedule of the meetings will be provided to the directors in advance. Directors are expected to attend the Board Meetings and meetings of the committee in which they serve to properly discharge their responsibilities.

## **2. COMPOSITION**

### **2.1 Nominating Committee**

The Company has established a Nominating Committee, with their own specific terms of reference, to undertake all the said responsibilities.

The members of the Nominating Committee are as follows: -

- Dato' Hj Abdul Hamid Mustapha (Chairman);
- Datuk Emam Mohd Haniff Emam Mohd Hussain;
- Dato' Abdul Halim Abdullah

The committee members are all of whom are Independent, Non-Executive Directors. The terms of reference of the Nominating Committee include all the best practices as required.

### **2.2 Annual Assessment of Directors**

The Board will conduct an annual self-evaluation to determine whether they are functioning effectively. The assessment will focus on the Board's contribution to the company and on the areas that could be improved.

Arrangement has been made for newly appointed Director to attend Mandatory Accreditation Programme (MAP) as prescribed by the Bursa Securities Practice Note 5/2001.

## **2.3 Director Compensation**

The Remuneration Committee recommends Directors' compensation for approval by the Board. Executive Directors' remuneration packages are set out in their individual contract of service. Non-Executives Directors remuneration package is currently in-line with market trend.

The Board is of the opinion that the current level of remuneration is sufficient.

The Directors' remuneration is disclosed in bands as set out in the Notes to the Financial Statement under sub-heading 'Profit/(Loss) from Operation' in the Annual Report.

The Board has established a Remuneration Committee, with its own specific terms of reference, to undertake all the said responsibilities.

The Remuneration Committee is mainly made up of Non-Executive Directors whose members are:-

- Dato' Abdul Halim Abdullah (Chairman);
- Dato' Hj Abdul Hamid Mustapha; and
- Ahmad Yasri Mohd Hashim @ Mohd Hassan

The terms of reference of the Remuneration Committee include all the best practices as required.

Fees payable to Non-Executive Directors are recommended by the Board for approval of shareholders at the Annual General Meeting.

## **3. REINFORCE INDEPENDENCE**

### **3.1 Director Qualifications**

The Board's standards for determining the independence of a director are set forth in Attachment A to this Charter. The Nominating Committee will review such standards at least annually and recommend any appropriate changes to the Board for consideration.

The company will disclose the assessment of the independence of a director in the annual report and in any notice convening a general meeting for the appointment and reappointment of independent directors.

### **3.2 Membership and Term**

The Board pursuant to the recommendation of the MCCG2012, has adopted a tenure policy, each independent director must be re-elected after nine years on the Board. The nine years can be a consecutive service of nine years or a cumulative service of nine years with intervals.

Upon completion of nine years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director.

The Board shall seek for shareholders' approval in the event a director retains as an independent director, as he/she has served in the capacity for more than nine years.

In such situation, the Board shall make a recommendation and provide justification to the shareholders in a general meeting.

### **3.3 Board and Chief Executive Officer Relationship**

There is a clear division of roles and responsibilities between the Chairman and MD/CEO. The Chairman heads the Board of Directors while the MD/CEO manages the Company's operations. The Company also has a Limit of Authority (LOA) prescribed in the SOP document, which defines the authorities matrix.

## **4. FOSTER COMMITMENT**

Directors should carefully consider the number of other boards and commitments on which they can serve consistent with the time and energy necessary to satisfy the requirements of Board and Committee memberships. Directors should also carefully consider any actual or apparent conflicts of interest and impairments to independence that service on other boards may create.

The Board should ensure its members have access to appropriate Continuing Education Programmes (CEP). Directors also have attended the CEP as prescribed by the Exchange to update their knowledge and enhance their skills. Some Directors have also attended various trainings in their capacity as Directors in other companies.

## **5. UPHOLD INTEGRITY IN FINANCIAL STATEMENT**

The Audit Committee deliberates on all the requirements with the external auditors in the Audit Committee meetings.

The Audit Committee reviews and deliberates the quarterly and year end financial statements regularly at the Audit Committee meetings.

The terms of reference of the Audit Committee include all the best practices as required.

The Internal Audit Department performs operational and compliance audits and other internal investigations as instructed by the Audit Committee/Board.

The internal auditors have their own Charter, Code of Ethics and present the Annual Audit Plan to the Audit Committee for approval.

## **6. RISK MANAGEMENT**

The internal control systems are embedded in the operations via the SOP. The process owners as described in the SOP are accountable to monitor and preserve the SOP. The review of these processes is performed by the Internal Audit Department. The internal audit reports are formally tabled to the Audit Committee for their review and deliberation.

The processes that the Directors apply to deal with material internal control are disclosed in the Statement on Internal Control of the Annual Report.

An Internal Audit Department has been established to carry out the internal audit function for the Group. The Internal Audit Department reports directly to the Audit Committee. The internal auditors have their own Charter and Code of Ethics.

## **7. TIMELY AND HIGH QUALITY OF DISCLOSURE**

7.1 Key features of the charter are outlined in the Annual Report in accordance to the MCCG 2017 requirements. The following additional statements are also included in the annual report:

- i. Statement of Directors' Responsibility; and
- ii. Statement on Internal Control.

7.2 A dedicated section for corporate governance in the company's website has been developed. Section for investor relations, annual report and a copy of this charter are also available in the website.



## **8. INVESTOR RELATIONS**

General Meetings and the company's corporate website are the platform for the communication of information regarding Company's operation to shareholders to give their views and feedback.

Additionally, where necessary, analyst briefings, press statements and/or press conferences are organized by the Company, as well as timely announcements to the Bursa Securities.

The Company has appointed a consultant (under the purview of the Management Committee) to implement the overall programme on investor relations and corporate communications to communicate Company's progress to investors and shareholders.

SOP-30 on Corporate Communications is in place and adhered to.

## **Attachment A: Independence Standards**

Independent director means a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of an applicant or a listed issuer.

Without limiting the generality of the foregoing, and independent director is one who:

- a) is not an executive director of the applicant, listed issuer or any related company of such applicant or listed issuer;
- b) has not been within the last 2 years and is not an officer (except as a non-executive director) of the company;
- c) is not a major shareholder of the company;
- d) is not a family member of any executive director, officer or major shareholder of the company;
- e) is not acting as nominee or representative of any executive director or major shareholder of the company;
- f) has not been engaged as an adviser by the company under such circumstances as prescribed by the Exchange or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or company which provides professional advisory services to the company under such circumstances as prescribed by the Exchange; or
- g) Has not engaged in any transaction with the company under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case maybe, of a firm or company (other than subsidiaries of the applicant or listed issuer) which has engaged in any transaction with the company under such circumstances as prescribed by the Exchange.