

## BOARD CHARTER

### TERMS OF REFERENCE



AYER HOLDINGS BERHAD (37-K)

Updated as at November 2019

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## 1. INTRODUCTION

The Board Charter sets out the powers, duties and responsibilities of the Board in meeting the goals of AYER Holdings Berhad and its subsidiaries (“the Company”). The Board Charter is subject to the provision of the Companies Act 2016 (CA), Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, the Malaysia Code of Corporate Governance 2017 (“MCCG”) and any other applicable law or regulatory requirements. This Charter serves only as a reference point and should be read as a broad expression of the principles it embraces

The Charter outlines to all Board members their duties and responsibilities, the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance when dealings in respect of the Company.

## 2. BOARD STRUCTURE AND COMPOSITION

- 2.1. The Board shall consist a minimum of three (3) and maximum of twelve (12) Directors.
- 2.2. At least two (2) Directors or one-third (1/3) of the Board members are Independent Directors. In the event of a vacancy, the vacancy must be filled within 3 months.
- 2.3. The Board shall have at least 1 female Director.
- 2.4. The Chairman and CEO of the Company are held by different individuals.

## 3. APPOINTMENT

- 3.1. The NRC will recommend all appointment of new Directors and senior management for consideration and decision by the full board. Directors must be able to provide independent judgement, experience and objective with no conflict of interest in carrying out their duties as a Board member. The appointment is based on merit and regard for diversity in skills, experience, age, cultural background and gender.
- 3.2. The tenure of an Independent Non-Executive Director should not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, the Independent Non-Executive Director may continue to serve the Board beyond nine (9) years, with the annual shareholders’ approval, if the Board continues to retain the Independent Non-Executive Director after the twelfth (12) year, the Board shall seek annual shareholders’ approval through a two-tier voting process.

## 4. ROLES AND RESPONSIBILITIES

### 4.1. AUTHORITY OF THE BOARD

The Board derives its authority from the Constitution and the Constitution will prevail, where there are inconsistencies with the Charter. The Board places Shareholders interest as a priority when making decision and always in compliance with all applicable laws and regulations.

### 4.2. ROLE OF THE BOARD

- a. To establish the corporate vision, mission and values of the Company.
- b. To establish strategic plans to enhance the long-term shareholders value creation;
- c. To promote good corporate governance culture within the Company;
- d. To supervise via full assessment of management performance against the strategic plans.;
- e. To set risk appetite based on the principal business risk and ensure implementation of sound framework for internal controls to manage the risk.;
- f. To establish orderly succession planning and hiring process for the board and senior management;
- g. To develop and implement a comprehensive investor relations programme;
- h. To review the adequacy and the integrity of the Company’s internal control system;
- i. To ensure the integrity of the Company’s financial and non-financial reporting;
- j. The following powers are reserved for the Board:
  - i. To approve all Charters/ Terms of Reference for all Board Committees and Management Committees;
  - ii. To address conflict of interest issues relating to substantial shareholder or a Director;
  - iii. To approve any investments in capital projects;
  - iv. To approve the authority levels/ limits within the Company;
  - v. To approve all policies proposed by any Board Committees or Management Committees;

- vi. To approve the dividend policy and authorise the distribution of dividend provided the Company is solvent and to make recommendation to the shareholder for payment of dividends;
- vii. To approve all material contracts entered by the Company;
- viii. To approve any changes in share issuance schemes and the allocation of executive share options (if any);
- ix. To approve any key appointments and matters in relation to such key appointments such as: -
  - Terms and conditions of service of Directors and the Group Chief Executive Officer (other than those within the control of the Nomination and Remuneration Committee)
  - Appointment or removal of members from the Board Committees;
  - Appointment or removal of the Company Secretary for the Company;
  - To make recommendations to shareholders on appointment or removal of auditors.

#### 4.3. ROLE OF CHAIRMAN

- a. Provide leadership for the board including leading board discussions, setting of the board agenda, encouraging active participation and allow dissenting views to be freely expressed;
- b. Represent the Board to stakeholders to promote effective communication;
- c. Lead the Board in establishing and monitoring good corporate governance practices in the Company;
- d. Develop a good relationship between the Board and Management.

#### 4.4. ROLE OF CHIEF EXECUTIVE OFFICER

- a. To develop and execute the Company's strategies effectively in line with the Board's directions.
- b. Accountable to the Board for the achievement of the Company's goals and objectives, with adherence to the delegated authority and Company policies;
- c. Provide oversight to the day to day business and ensure the operations is in line with the Company's Code of Ethics, policies, procedures and strategies;
- d. Ensures effective relationships and timely communication with management, Board, shareholders and relevant stakeholders on all critical matters.

#### 4.5. ROLE OF THE INDEPENDENT DIRECTORS

- a. Act as intermediary between the other directors, management, shareholders and other stakeholders to the Board.
- b. Provide constructive feedback to strategic plans and contribute to the development of the Company strategy;
- c. Objectively oversee and evaluate the performance of management in meeting the agreed goals for the Company.
- d. To attend continuous trainings with the aim to discharge their duties.

#### 4.6. ROLE OF NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

- a. Devote sufficient time to prepare and attend the Board and Board Committee meetings and continuous training programmes and briefings;
- b. To attend at least 50% of all Board meetings held in each financial year.

#### 4.7. ROLE OF COMPANY SECRETARY

- a. Manage all board and committee meeting annual schedule of meetings, meeting logistics, keep the attendance list, record accurate minutes and ensure the documentation of papers and minutes for all meetings are complete, accurate and timely distributed to all the Board members;
- b. Advise the board of its roles and responsibilities;
- c. Advise the board on corporate disclosures and ensure compliance with company and securities regulations and listing requirements;
- d. Manage processes pertaining to annual shareholder meeting;
- e. Monitor corporate governance developments and assists the board in applying governance practices to meet the board's needs and stakeholder's expectations and;
- f. Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

- g. Facilitate the orientation of new directors and assist in the director training and development.

#### 4.8. BOARD AND MANAGEMENT COMMITTEES

##### a. AUDIT COMMITTEE (AC)

The AC is responsible for providing independent oversight of the Company's financial reporting and internal control system and ensure checks and balances within the Company. The AC will review and assess the suitability and independence of external auditors.

##### b. BOARD RISK COMMITTEE (BRC)

The BRC is responsible for overseeing the risk management matters relating to the activities of the Group. It assists the Board to fulfil its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group. The BRC will oversee the compliance and business continuity functions of the Group.

##### c. NOMINATION AND REMUNERATION COMMITTEE (NRC)

The NRC is responsible for providing formal and transparent approach for the appointment of directors as well as an annual assessment of effectiveness of individual directors, Board committees and senior management. The NRC will develop the remuneration policy for the directors and management ensuring the compensation is competitive and consistent with the Company's culture, objectives and strategy.

##### d. STRATEGY AND OVERSIGHT COMMITTEE (SOC)

The SOC is responsible to provide oversight, high level review and feedback on strategy, business plan, financial budget, policies and procedures for the Company and its subsidiaries. The SOC is will monitor the financial and operational performance of the Group's business and operations.

#### 5. CONDUCT OF MEETINGS

- 5.1. The Board meetings will be conducted at least once quarterly, with additional meetings to be convened when necessary.
- 5.2. Notice and agenda will be endorsed by the Chairman together with the supporting Board papers and shall be distributed at least seven (7) work days prior to the Board meetings.
- 5.3. The quorum for a Board meeting shall be a minimum of three (3) Directors. In the absence of the Chairman, the members shall elect a Chairman from amongst them to chair the meeting.
- 5.4. The Board may recommend relevant matters to be considered via a resolution in writing if deemed appropriate.
- 5.5. An emergency board meeting can be convened with at least three (3) day notice and must be made in writing by at least three (3) directors. The quorum required any decision making is three-fourth (3/4) of the Board members.
- 5.6. A Board member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest.
- 5.7. The minutes shall be distributed to the Board members and approved by the Chairman at which the proceedings are held or by the Chairman at the next succeeding meeting.

#### 6. BOARD ASSESSMENT AND EVALUATION

The Board will review and evaluate the effectiveness and performance of the Independent Directors, the Board as a whole and its Committees on an annual basis by the NRC.

#### 7. REMUNERATION

- 7.1. The Board via NRC will set the policies and procedures to determine the remuneration of directors and senior management, which considers the demands, complexities and performance of the company. The policy and procedures will be reviewed periodically.
- 7.2. The NRC will implement the policies and procedures by setting the level of remuneration which would attract and retain individuals of calibre after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. The remuneration policy is to be used as the guide to the determine the remuneration.
- 7.3. A formal independent review of the Director's remuneration is undertaken at least once in three (3) years. The process will be via a structured and transparent assessment process.

**8. TRAINING**

Directors are required to attend continuing education to keep abreast of the latest legislations and regulatory update to enable them to discharge their responsibilities well.

**9. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION**

- 9.1. The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company and as such adopts an open and transparent policy in respect of its relationship with its shareholders and investors.
- 9.2. The Board ensure the timely release of financial results on quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year.
- 9.3. Management may conduct dialogues with financial analysts from time to time as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests.
- 9.4. The Board encourages the Company to leverage on the Information Technology for effective dissemination of information by establishing a dedicated section for corporate governance on the company's website.

**10. GENERAL MEETINGS****10.1. ANNUAL GENERAL MEETING (AGM)**

All Directors and the Chair persons of Board Committees must attend General Meetings. The Chairman and, where appropriate, Management will respond to shareholders' queries during the meeting. If required, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.

Notice for an AGM will be informed to all shareholders at least 28 days prior to the meeting.

**10.2. EXTRAORDINARY GENERAL MEETING (EGM)**

The Directors will consider requisitions by shareholders to convene an EGM on any urgent matters requiring immediate attention of the Company.

**11. STAKEHOLDERS**

- 11.1. Employees - The Board shall ensure effective, transparent and regular communication with to facilitate mutual understanding of each other's objectives and expectations.
- 11.2. Environment/ Sustainability - A Sustainability Committee will run by the Management to ensure the business actions where possible will contribute to safeguard the environment.
- 11.3. Corporate Social Responsibility (CSR) - The Board will support the CSR initiatives by Management in activities that contribute towards the welfare of the community.

**12. BUSINESS CONDUCT**

The Board, via the Code of Conduct and Ethics and Whistleblowing policies sets standard of behaviour expected from all Directors, Management, employees and where applicable business partners.

**13. REVIEW OF THE TERMS OF REFERENCE**

Annually, the terms of reference shall be assessed, reviewed and updated where necessary in accordance with the legislation, regulations, directives or order in law.

This Board Charter was approved at the Board meeting on 19 November 2019.

[END OF TERM OF REFERENCE]