

## **BOARD CHARTER**

### **PREAMBLE**

- (a) The Board of Directors (“Board”) believes that sound corporate governance is imperative for delivering sustainable value to shareholders and safeguarding the interests of stakeholders, promoting business integrity and maintaining investors’ confidence towards the Group’s delivery of its corporate objectives and vision.
- (b) The Board is accountable to all stakeholders for the corporate governance and performances of the Group and is committed to attaining a high standard of business integrity, ethics and professionalism across the Group’s activities.
- (c) In carrying out its responsibilities under this Charter, the Board will be cognizant of the requirements of all legislation, regulations and statutory standards. In particular these will include, but are not limited to, the provisions of the Companies Act, 1965 (“Companies Act”), Capital Markets and Services Act 2007 (“CMSA”), Securities Commission Act 1993, Malaysian Code on Corporate Governance 2012 (“MCCG”) and Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”) that apply to the Group and its operations.
- (d) This Charter has been endorsed by the Board and is subject to periodic review by the Board to ensure the Group conforms to the best practices in corporate governance.

### **1. PURPOSE**

- 1.1 The purpose of this Charter is to set out the principal roles of the Board, the demarcation of the roles, functions, responsibilities and powers of the Board and the Board Committees and the Management.
- 1.2 It further defines the specific accountabilities and responsibilities of the Board to enhance coordination, communication and facilitation between the Management and the Board and ultimately, to reinforce the overall accountability of both the Board and the Management towards the Company and the stakeholders.
- 1.3 To serve as reference criteria for the Board in the assessment of its own performance and of its individual Directors.

### **2. ROLES AND RESPONSIBILITIES OF THE BOARD**

#### **2.1 Board’s Role**

The Board’s principal role is to govern, rather than manage, the Group, by ensuring that there is proper governance framework in place to promote and protect the Group’s interests for the benefit of its shareholders and other stakeholders.

## 2.2 Board's Responsibilities

2.2.1 The Board is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders' value. The Board retains full and effective control of the Group's strategic plans, overseeing the conduct of the Group's businesses, setting policies, implementing, reviewing and maintaining an appropriate system of risk, control and compliance management and ensuring the adequacy and integrity of the Group's system of internal control. The Board is also responsible in ensuring financial integrity, setting the Group's risk appetite, reviewing and approving material contracts/transactions, related party transactions, capital financing and succession planning, and for the implementation of stakeholders' communications.

2.2.2 The Board in discharging its roles and responsibilities observes the following Code of Ethics:

- (i) Code of Ethics for Company Directors issued by the Companies Commission of Malaysia;
- (ii) the provisions of the Companies Act; and
- (iii) the principles of the MCCG.

2.2.3 The Board is also responsible for approving and reviewing the Code of Ethics for the employees of the Group including the Whistleblower Policy of the Group and such codes, policies and ethics are briefed to all employees and accessible for reference within the Group.

2.2.4 The Code of Ethics provides guidance for proper standards of conduct and sound and prudent business practices as well as standard of ethical behaviour for Directors, based on principles of integrity, responsibility and corporate social responsibility.

## 2.3 Board's Powers

The Directors will exercise the powers of the Company as conferred on them by the various Acts in particular the Companies Act, the Articles of Association of the Company and any other relevant legislation.

## 2.4 Delegation to Board Committees

2.4.1 The Board may from time to time and as required establish committees appropriate to assist it in carrying out its fiduciary duties and responsibilities. The Board delegates certain functions to the following committees in the execution of its responsibilities:

- (a) Audit and Risk Management Committee
- (b) Nomination Committee
- (c) Remuneration Committee

2.4.2 The committees will operate under approved terms of reference and are authorised by the Board to deal with and deliberate or to advise and recommend to the Board on matters delegated to them within their terms of reference.

2.4.3 Their terms of reference will include such as mandated by the Listing Requirements for the Audit and Risk Management Committee, reviewing and monitoring the implementation of strategic plans by the Group, identifying principal risks and ensuring systems are implemented to monitor, manage, control and mitigate them.

2.4.4 The Chairman of the respective committee reports to the Board on the recommendations of the committee and the conclusions of the committee meetings and the minutes of such committee meetings will be noted by the Board.

2.4.5 The terms of reference of each committee are published in the Annual Report.

## 2.5 Relationship with Management

2.5.1 The Board shall delegate to the Chief Executive Officer (“CEO”) (or such other principal officer - Managing Director (“MD”) or such other description - of the Company in charge of the management of the Company); the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The CEO may delegate aspects of his or her authority and powers but remains accountable to the Board for the Company’s performance and is required to report regularly to the Board on the progress being made by the Company’s business units and operations.

2.5.2 The Management will have in place financial and performance management systems like financial and operational forecasting, budgeting, tracking, targets, key result areas and key performance indicators to measure and monitor performance attainments or variances.

2.5.3 The system of delegation of authority to such committees and Management, the exercise of that delegated authority is predicated on an assumption that the Board is kept appropriately and fully informed on all material issues. And appropriate and sufficiently detailed financial, management and operational reports are furnished at regular intervals in such form, manner and quality to enable the Board to discharge its duties and responsibilities effectively.

## 3. **BOARD COMPOSITION, INDEPENDENCE AND DIVERSITY**

### 3.1 Composition

3.1.1 The Board consists of qualified individuals with diverse experience, background and perspective to enable them to discharge their duties and responsibilities effectively. The composition and size of the Board is such that it facilitates the decision making of the Company.

3.1.2 At any one time, at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, must be independent Directors. However, the Board must comprise a majority of independent Directors where the Chairman of the Board is not an independent Director to ensure balance of power and authority on the Board.

### 3.2 Independence

3.2.1 The basis for the presence of an independent voice on the Board is to ensure that objectivity in decision-making of the Board is achieved and that no single party can dominate such decision-making in the Company.

3.2.2 The independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all stakeholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

3.2.3 The tenure of an independent Director should not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, an independent Director may continue to serve on the Board subject to the Director being re-designated as a non-independent Director. In the event such Director is to be retained as an independent Director, the Board must first justify and obtain shareholders' approval.

### 3.3 Diversity

3.3.1 The Board shall at all times promote and welcome diversity, equal opportunities and gender mix in its composition with due recognition and weightage to the skills, experience and business acumen of the directorship candidatures.

3.3.2 The Board will review the appropriate mix of skills, experience and knowledge required of the Board members, in the context of the needs of the Company's and the Group's businesses and strategies. The Board will review its composition and size from time to time to ensure its appropriateness and the fulfilment of the gender diversity representation.

## 4. **SEPARATION OF THE ROLE AND FUNCTIONS OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR (CEO/MD)**

In promoting balance of authority, increased accountability and greater capacity for independent decision-making; the above roles and functions are to be distinct and separate with clear division of responsibilities and should be held by different individuals of whom the Chairman should be a non-executive member.

Given the knowledge and extensive involvement of the Chairman in the business deriving from his wealth of experience and industry goodwill benefiting directly the Group; the above roles remain vested in the Chairman. Nevertheless, functionally and for all purposes and intent, the responsibilities of the MD are executed by delegated authority to designated Senior Management to ensure that division and accountability in essence are separated. Further, all decisions on matters reserved for the Board are made after due deliberation by the Board and the Board Committees, where required.

The MD facilitates the flow of information between the Management and the Board and in consultation with Management, sets the agenda for each Board meeting.

The MD also assumes the overall responsibility for the implementation of the Group's strategies and in carrying out the Board's mandates, manages the Group's businesses and drives performance towards the strategic goals and commercial/financial objectives.

## **5. SUPPLY AND RELIANCE OF INFORMATION AND COMPANY SECRETARY**

### **5.1 Supply and Reliance of Information**

The Board, as a whole and its members in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon. Senior management of the Group are also invited to attend Board meetings to provide their professional views, advice and explanation on specific items on the agenda in order for the Board to arrive at an informed decision.

Besides direct interactions with the Management, external independent professional advisers are also made available at the Company's expense to render their independent views and advice to the Board, whenever deemed necessary and under appropriate circumstances or at the request of the Board.

### **5.2 Company Secretary**

5.2.1 The Company Secretary plays an important advisory role and to ensure that the Company Secretary fulfills its function, the Company Secretary must be suitably qualified or licensed under the prevailing statutory requirements and is competent and shall be a senior position with adequate authority and experience to discharge his/her duties described herein.

5.2.2 The Company Secretary's appointment and removal shall be approved by the Board.

5.2.3 The Company Secretary is a central source of information and advice to the Board and its Committees on their duties and obligations, and the appropriate requirements, disclosures and procedures to be complied with. The Company Secretary is also responsible in ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

## **6. PROCESSES OF BOARD**

### **6.1 Board Meetings**

6.1.1 Proceeding - The Directors meet for the despatch of business, adjourn and otherwise regulate their meetings as appropriate. On a quarterly basis, amongst others, the Board reviews the financial performance of the Group and approves the financial results of the Group at its meeting.

6.1.2 Notice of Meeting - Unless otherwise determined by the Directors, notice in accordance with the Articles of Association and/or the Companies Act, shall be given to all Directors.

6.1.3 Quorum - In accordance with the Articles of Association.

6.1.4 Attendance - The office of a Director shall become vacant if a Director is absent from more than 50% of the total number of Board meetings held in any one financial year.

### 6.1.5 Conflict of Interest

6.1.5.1 The Companies Act, the Listing Requirements, CMSA and such other applicable legislation may subject Directors to disclosure requirements.

6.1.5.2 Directors shall comply with these legislations (in particular the Companies Act and the Listing Requirements) in connection with disclosure of shareholding and interests in the Group and/or the Company and interest in any contract or proposed contract with the Company, which include the nature, character and extent of any office or possession of any property, whether directly or indirectly duties or interests that might be created in conflict with his/her duty or interest as a Director of the Company.

6.1.5.3 General notice given by a Director is tabled at the Board meetings and the declarations made are recorded in the minutes of the Board meetings in compliance with the Companies Act.

### 6.1.6 Voting

6.1.6.1 Any question arising at a Board meeting is decided by a majority of votes of Directors present and the Chairman has a casting vote. A Director is required to abstain from deliberations and voting in respect of any contract or proposed contract or arrangement in which he/she has direct or indirect interest.

6.1.6.2 The Chairman and the Board may, if deemed necessary and appropriate request an interested Director to excuse himself/herself from the deliberation.

## 6.2 Committee Meetings

The Board Committees shall meet as prescribed under the terms of reference of the respective committee and as and when the need arises, to deliberate on matters under their purview.

## 6.3 Financial Reporting

The Board is responsible to ensure that the financial statements are prepared for each financial year and that it gives a true and fair view of the state of affairs, results and cash flow of the Group. The Audit and Risk Management Committee ensures that the financial statements comply with applicable financial reporting standards and the provisions of the Companies Act.

## 6.4 Compliance Monitoring

The Group Compliance Framework lays down mechanisms and tools to ensure consistency and efficiency in identifying, managing and mitigating compliance risks within the Group. Reviews are conducted by the Group Compliance Committee to assess the degree of compliance with regulatory requirements by the Group and its businesses and operations. The Audit and Risk Management Committee is provided with compliance reports at agreed intervals to facilitate the Board with a holistic and overview of all compliance matters.

## **7. EFFECTIVENESS AND EFFICIENCY OF THE BOARD AND THE COMMITTEES**

### **7.1 Identification and Recruitment of Directors**

7.1.1 The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates for appointments and re-appointments to the Board for approval, either to fill vacancies or as addition to meet the demands and changing needs of the Group.

7.1.2 The Nomination Committee sets and conducts the evaluation, interaction and assessment of candidatures based on the following broad Fit & Proper and Independence Criteria:

- (a) Specific knowledge, skills and relevant working experience (capability);
- (b) Training and qualifications (competence);
- (c) Time commitment of the candidate;
- (d) Independence and conflicts of interest;
- (e) External directorship of the candidate;
- (f) Probity, integrity and reputation; and
- (g) Personal financial integrity.

7.1.3 The process for identifying and nominating new candidates for appointment as Director; and re-election and re-appointment of existing Directors entails the following steps:

- (i) Skills & Gaps Analyses
- (ii) Identification/Selection
- (iii) Meet Fit & Proper Criteria
- (iv) Nomination Committee deliberation
- (v) Recommendation for Board approval

### **7.2 Time Commitment**

7.2.1 A Director shall notify the Chairman of the Board of his/her acceptance of any new directorship in public listed companies. In any event the maximum number of appointments in public listed companies shall be limited to five (5) or any other number as set out in the Listing Requirements.

7.2.2 The notification shall include an assurance of his/her continued time commitment to serve the existing Board and that his/her other appointments shall not be in conflict or compete with the existing appointment with the Company.

### **7.3 Independence of Director**

7.3.1 An independent Director is independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.

7.3.2 The Board and the Nomination Committee assess the independence of its independent Directors upon appointment, annually and when any new interest or relationship develops.

#### 7.4 Directors' Remuneration

- 7.4.1 The remuneration policy for executive Directors is developed by the Remuneration Committee to ensure that the Group attracts and retains the necessary and well qualified Directors to manage the Group's and the Company's businesses and operations effectively.
- 7.4.2 Directors do not participate in decisions regarding their own remuneration. The remuneration of the executive Directors and the CEO are based on Key Performance Indicators linked to the Group's and the individual's performances.
- 7.4.3 The Board approves the remuneration of these Directors and non-executive Directors' fees are recommended by the Board to be tabled for the approval by shareholders at the annual general meeting.
- 7.4.4 Remuneration and fees of Directors are disclosed by aggregation and banded according to executive and non-executive Directors.
- 7.4.5 The non-executive Directors' fees are reflective of market competitiveness and responsibilities undertaken by such Directors.

#### 7.5 Board Effectiveness Assessment

- 7.5.1 The Board shall annually review and assess the effectiveness of the Board and the Board Committees as well as individual Directors based on the criteria set out in this Charter and according to the fulfilment of the Board Committee's terms of reference.
- 7.5.2 Questionnaires based on these criteria are self-declared and peer validated to gauge their continuing fulfilment or gaps identified in fulfilling them. The criteria include:
- (a) Fit & Proper and Independence Criteria;
  - (b) Board Composition and Diversity and discharge of Board's roles and responsibilities;
  - (c) Terms of Reference of Committees – fulfilling and implementing the recommendations;
  - (d) Time Commitment; and
  - (e) Corporate Governance by the Board and Board Committees on implementing risk management, compliance and audit recommendations.
- 7.5.3 Their responses are collated and their summary of findings and recommendations will be submitted to the Nomination Committee for deliberation, after which, the findings and recommendations shall be escalated to the Board for further review and action.

### **8. DIRECTORS' TRAINING AND DEVELOPMENT**

#### 8.1 Information Pack

Directors receive an information pack giving details of this Charter and the disclosures the Directors are required to make in order to comply with the various laws and regulations and other relevant corporate information pertaining to the Group.

## 8.2 Induction Programme

New Directors will attend a familiarisation programme which is tailored to the needs of their appointment. This includes meeting key senior management to better understand the businesses and operations of the Group. This also serves as a platform to establish effective channel of communication and interaction with Management.

## 8.3 Continuing Professional Training and Development

The Company Secretaries and the Group Compliance facilitate in organising on-going internal and external training sessions, briefing updates and workshops or seminars to update and assist Directors in keeping abreast of new legislations, regulations, corporate governance, and leadership development.

## 9. CONFIDENTIALITY AND DISCLOSURE

9.1 Directors are required to always act in the best interests of the Company. They also have a duty of confidentiality in relation to the Group's or the Company's confidential information.

A Director shall disclose to the Board:

- (a) any material personal interest the Director has in a matter which relates to the affairs of the Company; and
- (b) any other interest (direct or indirect) which the Director believes is appropriate to disclose in order to avoid any conflict of interest or the perception of a conflict of interest.

9.2 The disclosure should be made as soon as practicable after the Director becomes aware of the interest. Details of the disclosure must be recorded in the minutes of the meeting at which the disclosure is made or the meeting held following the disclosure.

## 10. SUCCESSION PLANNING

10.1 Succession planning encompasses both for the Board under the purview of the Nomination Committee and for Management under the Group Human Resource.

10.2 Succession planning for key management staff includes various programmes – talent pools, senior management development and individual development plans. Experienced and key senior management staff contribute to the pool of potentials for executive-Directorship appointments.

## 11. RISK MANAGEMENT

11.1 The Group adopts an Enterprise Wide Risk Management (ERM) framework in its Corporate Risk Management System to manage its key and principal risks together with a Compliance Risk Self-Assessment (CRSA) to evaluate and monitor compliance risks.

- 11.2 The ERM framework requires the Group to identify, evaluate, monitor, mitigate, control, report and track all material and key risks associated with its businesses and operations to the Risk Management Committee and Audit and Risk Management Committee. The CRSA in turn assesses the level of compliance risks, internal controls and level of compliance.
- 11.3 These ERM and CRSA methodologies enable the Board with a tool to anticipate and manage both existing and potential risks, taking into account the changing risks profiles, operating and economic environments, business strategies and regulatory requirements.

## **12. SUSTAINABILITY, ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

- 12.1 The Board in discharging its governance role shall be guided to ensure that the Group's and Company's business strategies and businesses promote sustainability. This includes due attention to and consideration of the Environmental, Social and Governance aspects of the businesses and operations which underpin sustainability.
- 12.2 Within the Group, there has been established various on-going environmental management systems and programmes such as reduction of emission from manufacturing entities, ISO certifications, stringent Health & Safety standards, eco-systems property developments, eco-friendly and reusable packaging and so on.
- 12.3 The Group has also established two charitable foundations for scholarships and promotion of education, and medical assistance.
- 12.4 The Group as an employer promotes sustainability of its businesses and new business ventures taking cognizance of the livelihood of its employees as stakeholders.

## **13. INVESTORS RELATIONS AND STAKEHOLDERS' COMMUNICATION AND PARTICIPATION**

The Group is committed to ensuring that stakeholders are well-informed of all major developments affecting the state of affairs of the Group. To achieve this, the Group has implemented amongst others, the following:

- (a) timely release of announcements and disclosures to Bursa Securities, which include quarterly financial results, material contracts and any other material information that may affect the stakeholders' decision-making;
- (b) conducts regular dialogues with institutional investors, fund managers and analysts as a means of effective communication that enables the Board and Management to convey information relating to the Group's performance, corporate strategy and other matters affecting stakeholders' interests;
- (c) press conferences, when deemed necessary, are held to address specific queries from the media;
- (d) encourages full participation of shareholders at all general meetings to ensure a high level of accountability and discussion of the Group's strategies and goals;
- (e) advises shareholders on their right to demand for a poll at general meetings;

- (f) the Group also invites the external auditors to attend the annual general meetings and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditors' reports; and
- (g) shareholders can gain access to information about the Group including information released to Bursa Securities, dividend, Annual Reports, media releases through the Company's website at [www.lion.com.my/lioncor](http://www.lion.com.my/lioncor).
- (h) The Board has identified the Company Secretaries to whom concerns may be conveyed and who would bring the same to the attention of the Senior Independent Non-Executive Director.

#### **14. REVIEW**

This Charter is to be reviewed at least once every three (3) years or as and when required.