

# **DeGem Berhad**

(Company Number 415726-T)  
(Incorporated in Malaysia)

## **BOARD CHARTER**

### **1. INTRODUCTION**

The Board of Directors (“the Board”) is accountable and responsible for the business and affairs of DeGem Berhad (“the Company” or “DeGem”). The Board regard corporate governance as vitally important to the success of DeGem’s business and are unreservedly committed to ensure that the principles of good governance is practiced in all its business dealings in respect of its shareholders and relevant stakeholders.

All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

### **2. PURPOSE**

This Board Charter sets out the role, functions, composition, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware on their duties and responsibilities as Board members.

This Board Charter shall constitute, and form, an integral part of each Director’s duties and responsibilities.

### **3. THE BOARD**

#### **3.1 Composition and Board Balance**

##### **3.1.1 Composition**

The Board consists of qualified individuals with diverse set of skills, experience and knowledge necessary to govern the Company. The composition and size of the Board is such that it facilitates the decision making of the Company.

The Articles of Association of the Company provides for a minimum of two (2) directors and a maximum of 12 directors. At any one time, at least two (2) directors or one-third (1/3) of the Board, whichever is higher, shall be Independent Directors as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders, and not only the interests of a particular fraction of group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The tenure of an Independent Director shall not exceed a cumulative term of 9 years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the Director’s re-designation as a Non-Independent Director. Otherwise, the Board must justify and seek shareholders’ approval at Annual General Meeting (“AGM”) in the event it retains the Director as an Independent Director.

The Board shall appoint a Senior Independent Director who will also attend to any query or concern raised by shareholders.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

### **3.1.2 Appointments and Re-election**

The appointment of a new Director is a matter for consideration and decision by the full Board, upon appropriate recommendation from the Nomination Committee ("NC"). In making these recommendations, the NC will consider the required mix of skills, experience and diversity, including gender, where appropriate, which the Director bring to the Board.

The Articles of Association of the Company provides that every newly appointed Director be subjected to re-election at the immediate AGM following his appointment. Further, one third (1/3) of the Board shall retire from office and be eligible for re-election at every AGM, and all the Directors shall submit themselves for re-election at least once every three (3) years.

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 give sufficient time and attention to the affairs of the Company.

### **3.1.3 Independence of Director**

The Board assesses the independence of the Directors annually by taking into consideration of their disclosed interests and having regard to the criteria for assessing the independence of Directors under the annual Board Assessment. A separate assessment for Independent Directors is also undertaken annually.

### **3.1.4 New Directorship**

In accordance with the Malaysian Code on Corporate Governance 2012 ("2012 Code"), all Board members shall notify the Chairman of the Board before accepting any new directorship. The notification shall include an indication of time that will be spent on the new appointment.

The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

## **3.2 Board Role**

### **3.2.1 Duties and Responsibilities**

The Board assumes, amongst others, the following duties and responsibilities:-

- (i) Reviewing and adopting the overall strategic plans and programmes for the Company and Group;
- (ii) Overseeing and evaluating the conduct of business of the Company and Group;

- (iii) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- (iv) Succession planning including appointing, training, fixing the compensation and where appropriate, replacing senior management;
- (v) Developing and implementing an investor relations programme or shareholder communication policy for the Company; and
- (vi) Reviewing the adequacy and the integrity of the management information and internal control systems of the Company and Group.

### **3.2.2 Matters Reserved for the Board**

The following are matters which are specifically reserved for the Board:-

- (i) Conflict of interest issues relating to a substantial shareholder or a Director;
- (ii) Material acquisitions and disposition of assets not in the ordinary course of business;
- (iii) Approval of corporate plans and programmes;
- (iv) Approval of new ventures and investments in capital projects;
- (v) Authority levels; and
- (vi) Treasury policies.

### **3.3 Chairman and Chief Executive Officer (“CEO”)**

The Company aims to ensure a balance of power and authority between the Chairman and CEO with a clear division of responsibility between the running of the Board and the Company’s business respectively. The positions of Chairman and CEO are separated and clearly defined.

The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the CEO has overall responsibility for the day-to-day management of the business and implementation of the Board’s policies and decisions. The CEO is responsible to ensure due execution of strategic goals, effective operation within the Company, and to explain, clarify and inform the Board on matters pertaining to the Company.

The responsibilities of the Chairman, amongst others, are as follows:-

- (i) Monitor the workings of the Board, especially the conduct of Board meetings to ensure that no Board member, whether executive or non-executive, dominates the discussion, and that appropriate discussion takes place and that relevant opinion among the Board members are forthcoming;
- (ii) Ensure that all relevant issues for the effective running of the Company’s businesses are on the agenda;
- (iii) Ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis;
- (iv) Encourage all Directors to play an active role in Board activities;
- (v) Chair general meetings of shareholders and to ensure effective communication with shareholders and relevant stakeholders; and

- (vi) Liaise with the CEO and the Company Secretary on the agenda for Board meetings.

The responsibilities of the CEO, amongst others, are as follows:-

- (i) Acts as the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions;
- (ii) Has the executive responsibility for the day-to-day operation of the Group's businesses and to ensure the efficiency and effectiveness of the operation for the Group;
- (iii) To supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Group;
- (iv) To implement the policies, corporate strategies and decisions adopted by the Board;
- (v) To assess business opportunities which are of potential benefit to the Group; and
- (vi) To bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

### **3.4 Board Committees**

The Board may from time to time establish Committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the following Committees to assist in the execution of its responsibilities:-

- (i) Audit Management Committee;
- (ii) Nomination Committee; and
- (iii) Remuneration Committee.

Independent Non-Executive Directors play a leading role in these Committees. The Management and third parties are co-opted to the Committees as and when required.

The Committees shall operate under clearly defined terms of reference. The Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their terms of reference. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers. Details of the membership and a summary of the terms of reference of each Committee appointed by the Board are published in the Annual Report.

The respective Committee's terms of reference are set out in the Appendices "A", "B" and "C".

### **3.5 Board Meetings**

The Board shall conduct at least four (4) scheduled meetings annually, with additional meetings to be convened as and when necessary.

A full agenda of the meeting and all Board papers, including complicated issues or specific matters, would be distributed to all Directors on a timely basis prior to the scheduled Board meetings to ensure Directors are well informed and have the opportunity to seek additional information and clarification, should such a need arise.

Where necessary, the services of other senior management or external consultants will be arranged to brief and help the Directors clear any doubt or concern.

### **3.6 Financial Reporting**

In presenting the annual financial statements and quarterly announcements to the shareholders, including other price sensitive public reports and reports submitted to the authorities, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.

The Board ensures that the financial statements are prepared in accordance with the Companies Act and applicable approved accounting reporting standards so as to give a true and fair view of the state of affairs of the Group and the Company.

The Company's practice is to announce to Bursa Securities its quarterly financial results as early as possible within two months after the end of each quarterly financial period.

### **3.7 Directors' Remuneration**

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.

The Remuneration Committee reviews the policy and framework for the Executive Directors' remuneration drawing advice from external consultants as necessary. The remuneration packages of the Executive Directors are structured to link rewards to corporate and individual performance.

In the case of Non-Executive Directors, the level of remuneration reflects the contribution and level of responsibilities undertaken by the particular Non-Executive Director. Non-Executive Directors will be paid a basic fee as ordinary remuneration and they will also be paid a sum based on their responsibilities in Board Committees and for their attendances at meetings. The fee which is subject to the approval of the shareholders, shall be fixed in sum and not be commission or on percentage of profits/revenue.

The performance of Directors is measured by the Directors' contribution and commitment to both the Board and the Company.

### **3.8 Directors' Training & Continuing Education**

In addition to the Mandatory Accreditation Programme as required by Bursa Securities, the Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programmes. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations.

The Board shall assess the training needs of the Directors from time to time.

#### **4. COMPANY SECRETARY**

The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed. The removal of the Company Secretary shall be a matter for the Board as a whole.

The Company Secretary is accountable to the Board through the Chairman of the Board and Committees on all governance matters.

The Company Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

The Board members have unlimited access to the professional advice and services of the Company Secretary.

#### **5. 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 Company and Group.

The ways of communication to shareholders and investors, amongst others, are as follows:-

- (a) timely release of financial results on a 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 to Bursa Securities, which includes quarterly financial results, material acquisition/disposal, changes in the composition of the Group and any other material information that may affect investors' decision making;
- (b) conducts 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' interest;
- (c) press conference which is normally held after each Company's AGM and/or Extraordinary General Meeting to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries or areas of interest of the media; and
- (d) the Company's website provides easy access to corporate information pertaining to the Company and its activities and is continuously updated.

The AGM is the principal forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from, the Company's shareholders. The Chairman also encourages shareholders to participate in the question and answer session at the AGM. Where necessary, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.

## **6. RELATIONSHIP WITH OTHER STAKEHOLDERS**

In the course of pursuing the vision and mission of the Company, the Board recognizes that no Company can exist by maximising shareholders value alone. In this regard, the needs and interest of other stakeholders are also taken into consideration.

### **6.1 Employees**

The Board acknowledges that the employees are invaluable assets of the Company and play a vital role in achieving the vision and mission of the Company.

### **6.2 Environment**

The Board acknowledges the need to safeguard and minimise the impact to the environment in the course of achieving the Company's vision and mission. The Company supports initiatives on environmental issues.

### **6.3 Social Responsibility**

The Board acknowledges that the Company should play a vital role in contributing towards the welfare of the community in which it operates. The Company supports charitable causes and initiatives on community development projects.

## **7. ACCESS TO INFORMATION AND INDEPENDENT ADVICE**

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions.

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

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

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

The Board Charter has been adopted by the Board on 21 February 2013. Any subsequent amendment to the Charter can only be approved by the Board.

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

Signed and approved by the Board  
on 21 February 2013