

FIAMMA HOLDINGS BERHAD
(Company No. 88716-W)

Board Charter

1. Introduction

This Board Charter is established to promote high standards of corporate governance and is designed to provide guidance and clarity for Directors and Management with regard to the roles and responsibilities of the Board, its committees, individual Director and Management. This Board Charter does not overrule or pre-empt the statutory requirements and other relevant statutes. This Board Charter shall form an integral part of each Director's duties, authorities and responsibilities. To the extent of any conflict between the terms of this Board Charter and the Company's Constitution, the Constitution prevails.

The conduct of the Board is governed by the Companies Act 2016, the Main Market Listing Requirements, the Capital Markets and Services Act 2007 and the Constitution of the Company.

2. Interpretation

2.1 In this Charter:

“Board” means the board of directors of the Company.

“Bursa Securities” means Bursa Malaysia Securities Berhad.

“Chairman” means the chairman of the Board and is used in a gender neutral sense.

“Company” means Fiamma Holdings Berhad

“Company Secretary” means the Board secretary (ies) or the person(s) normally exercising the functions of a Board secretary.

“GMD/CEO” means the Group Managing Director/Chief Executive Officer of the Group.

“Group” means Fiamma Holdings Berhad and its subsidiaries

“Independent Director” is defined in Paragraph 1.01 of the Main Market Listing Requirements of Bursa Securities.

“Listing Requirements” means the Main Market Listing Requirements of Bursa Securities.

“Management” means the management personnel of the Group.

“MCCG 2017” means the latest Malaysian Code on Corporate Governance released in 2017

3. Objectives of the Board

The Board is accountable to shareholders and is responsible for the stewardship of the Group's business and affairs. Significantly, the Board shall seek to ensure that the business objectives of the Group is aligned with the expectations of shareholders with a view to enhancing long-term shareholders' value whilst taking into account the interests of other stakeholders.

Additionally, the Board has to warrant that the operations of the Group are being effectively managed in a manner that is properly focussed on those business objectives, conforming to regulatory and ethical requirements as well as maintaining high standards of transparency, accountability and governance.

The Board should set the Group's strategic aims, ensure the necessary resources are in place for the Group to meet its objectives and review Management performance. The Board should set the Group's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

4. Role of the Board

4.1. Shareholders elect the Board to oversee management and to ensure that shareholders' long-term interests are served. Through oversight, review and counsel, the Board establishes and promotes the Group's business and organisational objectives, provides leadership to the Group, oversees business affairs and integrity, works with Management to determine the Company's mission and long-term strategy.

4.2. The Board has delegated certain responsibilities to committees which operate in accordance with the provisions of the Board Charter and its Terms of References approved by the Board and delegated the day to day management of the business of the Group to Management and GMD/CEO.

The Board is responsible for overseeing risk management and internal control systems of the Group. The Board exercises direct oversight of strategic risks of the Group and other risk areas are delegated to one of its committees.

The Risk Management Committee which reports to the Audit Committee oversees operational, financial, environmental and any other risks which may affect the Group and provides guidance on risk appetite, assessment and mitigation actions..

The Board shall reserve a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes the following:-

- (i) strategic issues and planning;
- (ii) material acquisition and disposal of assets;
- (iii) capital expenditure;
- (iv) risk management policies;

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- (v) appointment of auditors and review of the financial statements;
- (vi) regulatory compliance;
- (vii) reviewing the adequacy and integrity of internal controls;
- (viii) declaration of dividends;
- (ix) business plans and budget;
- (x) appointment of Directors, GMD/CEO, Chief Financial Officer and other key responsible persons;
- (xi) limits of authority; and
- (xii) conflict of interest issue in relation to a substantial shareholder or a Director including approving related party transactions.

4.3. The principal duties and responsibilities of the Board including those adopted from the MCCG 2017 are:

- together with Senior Management, promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
- review, challenge and decide on Management's proposals for the Group and monitor its implementation by Management;
- ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- supervise and assess Management performance to determine whether the business is being properly managed;
- ensure there is a sound framework for internal controls and risk management;
- understand the principal risks of the Group's business and recognise that the business decision involve the taking of appropriate risk;
- set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- ensure that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and Senior Management;
- reviewing the adequacy and effectiveness of the Group's risk management and internal control framework and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- ensure that the Group has in place procedures to enable effective communication with stakeholders;
- ensuring that the culture of accountability, transparency, professionalism and responsible conduct is consistently adhered in the Group;
- determining the remuneration of Non-Executive Directors, with the individuals concerned abstaining from the discussions of their own remuneration;
- monitoring and reviewing policies and procedures relating to occupational health and safety and compliance with relevant laws and regulations;
- promoting sustainability through suitable environment and governance considerations in the Group's business strategies; and
- ensure the integrity of the Group's financial and non-financial reporting.

- 4.4. In overseeing the conduct of the Group's business, the Board shall ensure that an appropriate financial planning, operating and reporting framework as well as an embedded risk management framework is established. Elements under this combined framework include business plan, budget, financial statements and risk management reports.

5. Board Structure

5.1. Board Balance and Composition

- 5.1.1. The Board should be of a size and composition with the benefit of diversity in experience, cultural backgrounds, age, gender, perspectives and skills that is conducive to effective decision making and effective discharge of its roles and responsibilities for the benefit of the Group and its business. The Board acknowledges the importance of promoting gender diversity.
- 5.1.2 In accordance with Paragraph 15.02 of the Bursa Malaysia Listing Requirements, the number of Independent Directors should make up of at least two (2) or one-third (1/3), whichever is higher, of the Board.
- 5.1.3. The appointment of a new member to the Board is only made after consultation with the Nomination Committee and it is of essence of the Board to ensure high levels of professional skills and appropriate personal qualities are pre-requisites for such nominee. Further, in identifying candidates for appointment of Directors, the Board does not solely rely on recommendations from the GMD/CEO, existing Board members, senior executive or shareholders. The Board utilises variety of independent sources to identify suitably qualified candidates, as and when it considers necessary.

Without limiting the generality of the foregoing, the qualifications for Board membership are the ability to make informed business decisions and recommendations, an entrepreneurial talent for contributing to the creation of shareholder value, relevant experience, the ability to appreciate the wider picture, ability to ask probing operational related questions, high ethical standards, sound practical sense and total commitment (including time commitment) to further the interests of shareholders and the achievement of the goals of the Group.

The Board also recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Group to ensure a balance of power and authority. It is the policy of the Board to keep the roles of the Chairman and the GMD/CEO separate.

The Board recognises the significant representation by Directors who are capable and willing to make business decisions and judgement in the best interest of the Group and free from influences which would give rise to

conflict of interest with that duty and are also independent of the Management. The Board decision making process should be independent and objective.

The Board recognises the need for an appropriate balance between Executive Directors who possess extensive direct experience and expertise in the core business activities and day to day operations of the Group, and Non-Executive Directors who have outstanding track records and reputation, and who are able to bring to the Board a broad range of general commercial expertise and experience.

- 5.1.4 A Director should inform the Board's Chairman before he/she accepts any new directorships in other listed companies or other companies, which may give rise to potential conflict of interest. Each Board member must not hold directorships in more than five (5) listed issuers.

5.2 Role of the Chairman

- 5.2.1. The Chairman is responsible for instilling good corporate governance practices as well as carries out an effective leadership role in the conduct of the Board and its relations with the shareholders and other stakeholders. The Chairman is primarily responsible for:

- leading the Board in the oversight of Management;
- representing the Board to shareholders and to chair and to ensure the efficient organisation and conduct of the Board and/or meeting of the shareholders;
- ensuring the integrity of the governance process and issues;
- setting the board agenda and ensuring the provision of accurate, timely, complete and clear information to Directors;
- leading and chairing Board meetings and discussions;
- encouraging active participation and allowing dissenting views to be freely expressed;
- managing the interface between Board and Management
- ensuring appropriate steps are taken to provide effective communication with shareholders and relevant stakeholders and their view are communicated to the Board as a whole;
- leading the Board in establishing and monitoring good corporate governance practices in the Group;
- maintaining regular dialogue with the GMD/CEO over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern;
- functioning as a facilitator at meetings of the Board to ensure that no member dominates discussion, that appropriate discussions takes place and that relevant opinions among members is forthcoming;
- ensuring that Executive Directors look beyond their executive function and accept their share of responsibilities in governance;

- guiding and mediating Board actions with respect to organisational priorities and governance concerns; and
- performing other responsibilities assigned by the Board from time to time.

5.3 Role of the GMD/CEO

5.3.1. The position of the GMD/CEO in essence is to ensure the effective implementation of the Group's business plan and policies established by the Board as well as to manage the daily conduct of the business and affairs to ensure its smooth operation.

5.3.2. The GMD/CEO, in association with the Chairman, is accountable to the Board for the achievement of the Group's mission, goals and objectives.

5.3.3. The GMD/CEO is responsible to the Board for the following:

- executive management of the Group's business covering, inter alia, the development of a strategic plan; an annual operating plan and budget; performance benchmarks to gauge Management performance and the analysis of management reports;
- developing long-term strategic and short-term profit plans, designed to ensure that the Group's requirements for growth, profitability and return on capital are achieved;
- directing and controlling all aspects of the business operations in a cost effective manner;
- effectively overseeing the human resources of the Group with respect to key positions in the Group's hierarchy and recruitment of Senior Management staff, determination of remuneration as well as terms and conditions of employment for Senior Management and issues pertaining to discipline;
- ensures that the Group's Financial Reports present a true and fair view of the Group's financial condition and operational results and are in accordance with the relevant accounting standards;
- assures the Group's corporate identity, products and services are of high standards and are reflective of the market environment;
- ensures compliance with governmental procedures and regulations;
- coordinates business plans with the businesses heads, coordinates management issues through the Board, and oversees divisional function groups and cost containment process in consultation with the Chief Financial Officer;
- assists the Chairman in organising information necessary for the Board to deal with the agenda and for providing this information to Directors on a timely basis.

5.4 Role of the Executive, Non-Executive Director and Independent Director

5.4.1. An Executive Director is a member of the Board who also has management responsibilities. He is an employee who is involved in the day-to-day management of the Group's business.

A Board is strengthened significantly by a group of Non-Executive Directors who have no connection with the Group. These individuals bring dispassionate objectivity that a Director with a relationship with the Group cannot provide.

An Independent Director is especially important in areas where the interests of Management, the Group and the shareholders diverge, such as executive performance and remuneration, related party transactions and audit.

Non-Executive Directors need to be sound in judgement and to have an inquiring mind.

They should question intelligently, debate constructively, challenge rigorously and decide dispassionately.

And they should listen sensitively to the views of others, inside and outside the Board.

5.4.2. The role and duties of the Independent Director, include the following:

- protecting the interest of minority shareholders and make significant contributions to a Group's decision making by bringing in the quality of detached impartiality;
- assessment of the information, reports or statements, to provide independent view and demonstrate objectivity in reviewing and challenging the Management's proposals at meetings;
- devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to keep abreast of industry issues, market development and trend, and enable them to sustain their active participation in Board deliberations;
- act as a channel of communication between Management, shareholders and other stakeholders, and provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied;
- ensure that there are adequate systems, controls and check and balance to safeguard the interests of the Group and all stakeholders; and

- approach any approval that is being sought at Board level for a transaction or any matter with a watchful eye and with an inquiring mind since an Independent Director has no conflict of interests in the discharge of his duties,.

5.5 Role of Senior Independent Non-Executive Director

5.5.1. The MCCG 2017 recommends that a Board identifies an Independent Non-Executive Director to be the Senior Independent Director to whom concerns may be conveyed and to disclose this in the annual report.

5.5.2. The role and duties of the Senior Independent Non-Executive Director, include the following:

- Ensure all Independent Directors have an opportunity to provide input on the agenda and advise the Chairman on the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Independent Directors to perform their duties effectively;
- Consult the Chairman regarding Board meeting schedules to ensure the Independent Directors can perform their duties responsibly and with sufficient time for discussion of all agenda items;
- Mitigate any possible conflict of interest between the decision-making process and daily management of the Group;
- Serve as the principal conduit between the Independent Directors and the chairman on sensitive issues, for example issues that arise from ‘whistle-blowing’; and
- Serve as a designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the Chairman or the GMD/CEO.

5.6 Tenure of Independent Directors

5.6.1. In line with the MCCG 2017, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9)-year period, an Independent Director may continue to serve on the Board subject to the Director’s re-designation as Non-Independent Director. Alternatively, the Board may, in exceptional cases and subject to the assessment of the Nomination Committee on an annual basis, recommend for an Independent Director who has served a cumulative term of nine (9) years to remain as an Independent Director subject to valid justification and annual shareholders’ approval.

5.7 Company Secretary

5.7.1. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognises the fact that the Company Secretary

should be suitably qualified, competent and capable of carrying out the duties required of the post.

5.7.2 The key role of the Company Secretary is to provide unhindered advice and services for the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance. Other primary responsibilities of the Company Secretary shall include:

- preparing agendas and coordinating the preparation of the Board papers;
- ensure that Board procedures and applicable rules are observed;
- maintaining records of the Board and ensure effective management of the Company's records;
- preparing comprehensive minutes to document Board proceedings and ensure conclusions are accurately recorded;
- assisting the communications between the Board and Management;
- advise the Board on its roles and responsibilities;
- facilitate the orientation of new Directors and assist in Director training and development;
- advise the Board on corporate disclosures and compliance with company and securities regulations and Listing Requirements;
- manage processes pertaining to the annual shareholders' meeting;
- monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;
- serve as a focal point for stakeholders' communication and engagement on corporate governance issues; and
- providing full access and services to the Board and carrying out other functions deemed appropriate by the Board from time to time.

5.8 Board Committees

5.8.1. The Board reserves the right to establish Committees from time to time in the discharge of its duties and responsibilities. The existence of the Board Committees does not diminish the Board's responsibilities for the affairs of the Group where the delegation of power shall be subjected to the approved terms of references and are in accordance with this Charter.

5.8.2. The Board shall establish the Terms of Reference of Board Committees to assist the Board in carrying out its duties:

a) Audit Committee

Audit Committee assists in fulfilling the Board's stewardship accountability to its shareholders and financial stakeholders. Audit Committee shall provide assurance to the Board with quality and reliable financial information and are responsible for the accuracy and integrity of the Group's financial reporting.

The Audit Committee reviews the adequacy and effectiveness of the risk management and internal control systems and governance processes implemented in the Group.

The Audit Committee also reviews audit report and related party transactions that arise between the Company and its related parties.

b) Nomination Committee

The Nomination Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, gender, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director as well as identify candidates to fill Board vacancies, and nominating them for approval by the Board.

It also ensures that all Directors receive suitable continuous training programmes to broaden their perspectives and to keep abreast of developments in the market, statutory and regulatory requirements.

c) Remuneration Committee

The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Executive Directors and Non-Executive Directors in all its forms, drawing from outside advice if necessary. The remuneration of Executive Directors shall be recommended by the Remuneration Committee with the individual Director concerned abstaining from discussing his individual remuneration. The amount of remuneration payable shall be determined with reference to corporate and individual performance of Executive Directors.

5.9 Investor Relations and Shareholders' Communication

5.9.1. The Board shall maintain an effective communications policy that enables both the Board and Management to communicate effectively with its shareholders, stakeholders and the general public.

5.9.2. It is the role of the Board to ensure that the Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM") of the Company are conducted in an efficient manner and serves as a crucial mechanism in shareholder communications. Key ingredients behind this include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the AGM/EGM.

5.9.3 The Board will focus its efforts on the following best practices to enhance the effectiveness of the General Meeting:

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- ensure that each item of special business included in the notice to be accompanied by a full explanation of the effects of the proposed resolution;
- inform shareholders of their rights to demand for a poll vote at the commencement of general meetings subject to the Company's Constitution;
- for election of Directors, ensures that the notice of meeting state which Directors are standing for election with a brief description to include matters such as age, relevant experience, list of directorships, date of appointment to the Board, details of participation in Board Committee and the fact that a particular Director is independent;
- ensure that the Chairman provides reasonable time for discussion at the meeting. Where appropriate and if required, the Chairman will also undertake to provide written answer to any significant question which cannot be answered immediately; and
- conduct a business presentation with a question and answer session, where appropriate and if required.

5.9.4 The GMD/CEO shall take responsibility for addressing queries from shareholders, stakeholders and analysts. In the performance of this responsibility, the GMD/CEO shall be mindful of the regulatory requirements pertaining to price sensitive information.

6. Board Processes

Board Meetings shall be conducted in a business-like manner where all Directors are encouraged to share their views and partake in discussions. No one person should dominate the discussion. The Chairman, assisted by the Company Secretary, shall play a mediator's role to maintain the order of the proceedings in a constructive, productive and effective manner.

6.1 Frequency

6.1.1. The Board should meet regularly, at least on a quarterly basis. Prior notice of meetings will be given to all who are required to attend the meetings.

To facilitate productive deliberations, the proceedings of the Board Meetings are conducted in accordance with a structured agenda. Special Board meetings should be held in addition to the quarterly meetings as and when required. Prior notice of meetings will be given to all who are required to attend the meetings.

6.1.2. Board members are required to attend the Board meetings and attendance of each individual Director in the meetings held in a financial year is required to be disclosed in the Annual Report. Other senior officers may be invited to attend for particular items within their responsibility. The Board may also

invite external parties such as the auditors, solicitors and consultants as and when the need arises.

6.1.3. Additional formal business is dealt with as required, whether by physical, videoconferencing or telephonic meetings, as well as other electronic meetings allowed under the laws or the Company's Constitution. All resolutions, attendance, transactions, quorums and votes obtained through electronic means shall be deemed valid and effective unless it contravenes the requirements of relevant statutes and regulations.

6.1.4. All meetings of the Board will be conducted in accordance with the Constitution of the Company and applicable laws.

6.2 Agenda and Meeting Papers

6.2.1 The notice of a Directors' meeting should be given in writing at least seven (7) days prior to the meeting.

6.2.2 A well prepared board agenda will enhance the Board's productivity and strengthen its strategic and supervisory role. The Chairman, in conjunction with the Executive Director(s) and the Company Secretary, shall undertake the primary responsibility for preparing the Board's agenda. The agenda shall include, amongst others, matters specifically reserved for the Board's decision.

6.2.3 As a matter of best practice and to allow ample time for Directors to consider the relevant information, Board papers and agenda items are to be circulated at least seven (7) days prior to the meeting or such other period as deemed appropriate by the Board. It is recommended that where there is a need to table a report, a brief listing of findings and/or recommendations is prepared.

6.3 Minutes

6.3.1 The Board shall record its deliberation, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities. The minutes shall state the Director's abstention from participating in dealing with issues or objection to any particular issue, where relevant.

6.4 Access to Information and Independent Professional Advice

6.4.1. All Directors (executive and non-executive) have the same right of access to all information within the Group whether as a full Board or in their individual capacity, in furtherance of their duties and responsibilities as Directors of the Company, subject to a formal written request to the Chairman furnishing satisfactory and explicit justification for such request

6.4.2. All information and documentation received by the Board from the Company shall be treated as confidential, unless otherwise expressly decided by the Board and in accordance with the relevant laws, requirements and Listing Requirements.

6.4.3. All Directors should have access to the advice and services of the Company Secretary. The Board should recognise that the Chairman is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board.

6.4.4. The full Board or in their individual capacity, in furtherance of their duties, shall be able to obtain an independent professional advice at the Company's expenses through the following procedure:-

- The request shall be made in writing to the Board;
- The Director concerned shall prepare a detailed paper to be submitted to the Board, highlighting inter alia the purpose behind the request and the estimated costs for the advice; and
- The Board shall deliberate on the said paper and at its absolute discretion determine if the Director concerned shall be permitted to seek independent professional advice. Should a request be denied, the Director concerned is entitled to have his or her views duly recorded.

6.4.5. Subject to prior approval of the Chairman, the cost of the advice will be reimbursed by the Company but the Director will ensure, so far as is practicable, that the cost is reasonable.

6.5 Induction Process and Training

6.5.1. The objective of the induction process is to provide Directors with a rapid and clear insight into the Group as well as keeping them abreast of developments in the market place pertaining to the oversight function of Directors. This will enable the Directors to discharge their duties and responsibilities effectively.

6.5.2. All new Directors appointed to the Board shall participate in the Mandatory Accreditation Programme pursuant to the Listing Requirements, if he/she has not attended before, and undertake an induction program facilitated by Management to assist them in fulfilling their duties and responsibilities.

6.5.3. Directors are expected to undertake any necessary professional education or training program to enhance their skills and knowledge on relevant new laws and regulations and to keep abreast of the changing business environment within which the Group operates so as to enable them to discharge their duties.

6.5.4. The Board assisted by the Nomination Committee, shall on continuous basis assess, evaluate and determine the training needs of the Directors and disclose in the annual report the trainings attended by the Directors. In special circumstances, valid justifications for non-attendance at any training by Directors for the financial year shall also be disclosed.

6.6 Directors' External Commitments and Conflict of Interest

6.6.1 The Company's Constitution stipulate that a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare his interest in accordance with the provisions of the Companies Act 2016. The Director concerned shall not participate in deliberations and shall abstain himself from casting his votes in any matter arising thereof.

6.6.2 Should there be an actual, potential or perceived conflict of interest between the Company or a related corporation and a Director, or an associate of a Director such as a spouse or other family members, or a related company (as defined under Section 197(1) of the Companies Act 2016), the Director involved shall make full disclosure and act honestly in the best interest of the Company.

- a) Director shall immediately inform the Audit Committee in respect of their direct and indirect interests in any businesses or corporations which carry on similar trade as that of the Group; and
- b) Every Director shall comply with the provisions of Sections 219 and 221 of the Companies Act 2016 in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company,

And the interested Directors shall abstain from deliberation and voting on the resolutions relating to those matters or transactions.

6.6.3 An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual Director from the Board provided that full disclosure of the interest has been made in good faith and with due honesty.

7. Periodic Review

This Board Charter was first adopted on 27 November 2012 and will be reviewed once every two years or as and when necessary. The Board Charter shall be published on the Company's website.

The Board charter was reviewed and approved by the Board of Directors on 20 August 2018.