

**FIAMMA HOLDINGS BERHAD**  
**(Company No. 88716-W)**

**Board Charter**

**1. Introduction**

The Malaysian Code on Corporate Governance (Code) was first issued in March 2000. The Code was later revised in 2007 (2007 Code) to strengthen the roles and responsibilities of the Board of Directors, Audit Committee and the internal audit function. The Malaysian Code on Corporate Governance 2012 (MCCG 2012) focuses on strengthening board structure and composition recognising the role of Directors as active and responsible fiduciaries. They have a duty to be effective stewards and guardians of the company, not just in setting strategic direction and overseeing the conduct of business, but also in ensuring that the company conducts itself in compliance with laws and ethical values, and maintains an effective governance structure to ensure the appropriate management of risks and level of internal controls.

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 role of the Board and its committees. 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 and responsibilities.

**2. Interpretation**

**2.1. In this Charter:**

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

“Bursa Securities” means Bursa Malaysia Securities Berhad.

“Business” means the business of the Group.

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

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

“FHB” means Fiamma Holdings Berhad and its subsidiaries

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

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

“Management” means the management personnel of the Company.

“GMD” means the Group Managing Director of the Company.

“Shareholders” means the shareholders of the Company.

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**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.

**4. Role of the Board**

- 4.1. Shareholders elect the Board to oversee management and to ensure that Shareholder long-term interests are served. Through oversight, review and counsel, the Board establishes and promotes FHB's business and organisational objectives, provides leadership to FHB, 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 provision of the Board Charter approved by the Board and delegated the day to day management of the Business of the Group to Management and GMD.

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

The Risk Management Committee which reports to the Audit Committee oversees operational risks including business continuity, security, privacy and competition law related risks.

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 strategic issues and planning, material acquisition and disposal of assets, capital expenditure, risk management policies, appointment of auditors and review of the financial statements, financing and borrowing activities, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.

- 4.3. The principal duties and responsibilities of the Board including those adopted from the Code are:
  - reviewing and adopting a strategic plan including setting performance objectives and approving operating budgets for the Group and ensuring that the strategies promote sustainability;
  - monitoring the Company's performance and building sustainable value for shareholders in accordance with any duties and obligations

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- imposed on the Board by law and within a framework of prudent and effective controls which enables risk to be assessed and managed;
- reviewing the procedures to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
  - succession planning, including appointing, assessing, training, fixing the compensation of and where appropriate, replacing Board and senior management;
  - developing and implementing a Corporate Disclosure Policy (including an investor relations programme or shareholder communications policy) for the Group;
  - reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
  - ensuring that the Company adheres to high standards of ethics and corporate behaviour.
- 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 the Business Plan, the 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 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.

In accordance with Paragraph 15.02 of the Bursa Malaysia Listing Requirements, the number of Independent Directors should make up of at least two or one-third, whichever is higher, of the Board.

- 5.1.2. 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.
- 5.1.3. The Board also recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company 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 separate.

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- 5.1.4. 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.
- 5.1.5. The Board recognises the need for an appropriate balance between executive Directors who possess extensive direct experience and expertise in the core Business activities 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.
- 5.1.6. A Director should inform the Board before he/she accepts any new directorships in other public listed companies, which may give rise to potential conflict of interest.

**5.2. Role of the Chairman**

- 5.2.1. The Chairman carries out a 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;
  - maintaining regular dialogue with the GMD over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern;
  - 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 Group Managing Director (“GMD”)**

- 5.3.1. The position of the GMD 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, in association with the Chairman, is accountable to the Board for the achievement of the Group’s mission, goals and objectives.

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5.3.3. The GMD 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 Non-Executive Director and Independent Director**

A board is strengthened significantly by a group of non-executive directors who have no connection with the company. These individuals bring dispassionate objectivity that a director with a relationship with the company cannot provide.

- Independent directors are essential for protecting the interest of minority shareholders and can make significant contributions to a company's decision making by bringing in the quality of detached impartiality.
- Since an independent director has no conflict of interests in the discharge of his duties, he/she ought to 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.

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- An independent director is especially important in areas where the interests of management, the company 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.

A listed company must ensure at least two directors or one-third of its board (whichever is the higher) are independent directors.

**5.5 Role of Senior Independent Non-Executive Director**

The CG Code 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. 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 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;
- Serve as the principal conduit between the independent directors and the chairman on sensitive issues, for examples 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 of CEO.

**5.6 Tenure of Directors**

5.6.1 In line with the MCGC 2012, the tenure of an independent Director should not exceed a cumulative term of nine years unless it is recommended by the NC and the Board is satisfied that he or she is able to continue bring independent judgement to the Board deliberations. This will be subject to the approval of shareholders at the annual general meeting of the Company.

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**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.

**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 policy 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. An 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.
  - b) **Nominating Committee**  
The Nominating 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.
  - 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.

**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

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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.

- 5.9.3 The GMD shall take responsibility for addressing queries from Shareholders, stakeholders and analysts. In the performance of this responsibility, the GMD 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.

### **6.6 Frequency**

- 6.6.1 The Board should meet regularly, at least on a quarterly basis. 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.
- 6.6.2 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.
- 6.6.3 Additional formal business is dealt with as required, whether by physical, videoconferencing or telephonic meetings, as well 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.
- 6.6.4 All meetings of the Board will be conducted in accordance with the Constitution of the Company and applicable laws.

### **6.7 Agenda and Meeting Papers**

- 6.7.1 The notice of a Directors' meeting should be given in writing at least seven (7) days prior to the meeting.
- 6.7.2 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 and the Company Secretary, shall undertake the primary responsibility for preparing the Board's

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agenda. The agenda shall include, amongst others, matters specifically reserved for the Board's decision.

- 6.7.3 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. It is recommended that where there is a need to table a report, a brief listing of findings and/or recommendations is prepared.

**6.8 Minutes**

- 6.8.1 The Board shall record its deliberation, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities.

**6.9 Access to Information and Independent Professional Advice**

- 6.9.1 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
- 6.9.2 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.
- 6.9.3 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 an agreed procedure laid down formally.
- 6.9.4 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.

**6.10 Induction Process**

- 6.10.1 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 with development in the market place pertaining to the oversight function of Directors. This will enable the Directors to discharge their duties and responsibilities effectively.

**6.11 Directors' External Commitments and Conflict of Interest**

- 6.11.1 The Company's Articles of Association 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, 1965. The Director concerned shall not participate in deliberations and shall abstain himself from casting his votes in any matter arising thereof.

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- 6.11.2 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, the Director involved shall make full disclosure and act honestly in the best interest of the Company.
- 6.11.3 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 Review**

This Board Charter was first adopted on 27 November 2012 and will be reviewed once every two years. The Board Charter was last reviewed on 23 November 2016.