

# **ANNUM BERHAD**

(fka Cymao Holdings Berhad)

[Registration No. 199701030432 (445931-U)]

## **POLICY STATEMENT**

**ON**

## **BOARD OF DIRECTORS CHARTER**

19 April 2014

## **BOARD OF DIRECTORS (“BOARD”) CHARTER**

### **PART 1: DEFINITION**

The following definitions shall apply throughout this Charter unless the context requires otherwise:

“Act”	:	The Companies Act, 1965 as amended from time to time and including any re-enactment thereof
“Board”	:	Board of Directors of the Company
“Business”	:	business of the Company
“Chairman”	:	Chairman of the Board
“Company”	:	Cymao Holdings Berhad (Company No. 445931-U)
“Company Goals”	:	Goals of the Company as set out in Section 2.2
“Directors”	:	Directors of the Company
“Group”	:	Companies within Cymao Holdings Berhad
“Management”	:	Management personnel of the Company
“Management Limitation”	:	Limitations on the actions of Management as set out in Section 5.3
“MD”	:	Managing Director of the Company
“Secretary”	:	Board secretary or the person normally exercising the functions of a Board Secretary
“Shareholders”	:	Shareholders of the Company

## **PART 2: INTRODUCTION, COMPANY GOALS AND OBJECTIVE**

### **2.1 Introduction**

This Charter sets out a framework to assist the Board to provide strategic guidance to the Company and effective oversight of its Management, for the benefits of Shareholders and other stakeholders. The framework adopts principles of good corporate governance and designs to maximise the Company's compliance with best practice requirements. It also outlines the manner in which the Board discharges its responsibilities in pursuit of the Company Goals and objective.

This Charter applies to all members of the Board and senior Management of the Company.

### **2.2 Company Goals and Objectives**

2.2.1 The Company is to excel as a highly efficient and profitable company through the following core values:

- To be a world class supplier of construction materials through sound business practices, that is profitable, sustainable and socially responsible to all Shareholder;
- To achieve sustainable profitability through vertical integration, capacity expansion and product offerings;
- To endeavour to create a challenging and rewarding career environment encouraging the employees to realise their optimum potential;
- To develop and establish a reliable and mutually beneficial relationship with the business partners and associates; and
- To strive to be a caring and responsible corporate citizen and assure equitable return to the Shareholders.

2.2.2 The capital and resources of the Company will be allocated to those assets and activities, which will enable it to achieve the Company Goal in a manner best serving the interest of the Shareholders as a whole.

## **Part 3: BOARD GOVERNANCE PROCESS**

### **3.1 Role of the Board**

3.1.1 The role of the Board is to provide strategic guidance to the Company and effective oversight of its Management, for the benefits of Shareholders and other stakeholders.

3.1.2 In performing its role, the Board should act at all times:

- (a) in accordance with its overriding responsibility to act honestly and fairly and in accordance with the applicable law, in serving the interests of the Company's Shareholders, as well as its employees, customers and the community.
- (b) in the manner designed to create and build sustainable value in the Company for Shareholders;
- (c) in accordance with the duties and obligations imposed upon it by the constitution of the Company and by law; and
- (d) with integrity and objectivity, and in accordance with the ethical and other standards set out in the Company's policies and codes of conduct.

3.1.3 In the normal course of events, day-to-day management of the Company will be in the hands of Management and under the stewardship of the MD.

3.1.4 The Board will satisfy itself that the Company is achieving the Company Goals.

### **3.2 Duties and Responsibilities of the Board**

3.2.1 The Board is responsible to direct and supervise the management of business affairs of the Company. The responsibilities of the Board include the following:

- (a) ensuring that the Company Goals are clearly established, and that strategies are in place for achieving them;
- (b) monitoring corporate performance and implementation of strategy and policy;
- (c) monitoring compliance with regulatory requirements and ethical standards;
- (d) ensuring that the Company adheres to high standards of ethics and corporate behaviour;
- (e) establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build the Business through innovation, initiative, technology, new products and the development of its business capital;
- (f) monitoring the performance of senior Management and implementation of strategy and policies, including assessing whether appropriate resources are available;
- (g) input into and final approval of major corporate strategy and annual budget;
- (h) reviewing and ratifying systems of risk management and internal compliance controls, code of conducts, continuous disclosure, legal compliance and other significant policies;
- (i) ensuring that the Company's financial statements are true and fair and conform with the relevant standards, rules and regulations;
- (j) deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- (k) approving and monitoring the progress of major capital expenditure, capital management and acquisitions/divestments;
- (l) approving and monitoring financial and other major reporting to the market, shareholders, employees and other stakeholders;
- (m) appointment, re-appointment or replacement of the external auditors;
- (n) monitoring Board composition, processes and performance;
- (o) establishment of Board Committees, their membership and delegated authorities;
- (p) appointing the MD, setting the terms of the MD employment contract and, where necessary, terminating the MD employment with the Company;
- (q) ensuring that succession planning of the senior Management are in place;
- (r) performing such other functions as are prescribed by law or are assigned to the Board.

### **3.3 Conduct of the Board**

Each Director will ensure that no decision or action is taken that has the effect of placing his/her interest in priority to the interests of the Company.

Directors commit to the collective, group decision-making process of the Board. Directors will debate issues openly and constructively and be free to question or challenge the opinions presented at meetings where their judgement differs from other Directors or Management.

In discharging the duties, each Director must:

- (a) exercise care and diligence;
- (b) act in good faith and in the best interest of the Company;
- (c) not improperly use his/her position or misuse information of the Company; and
- (d) commit the time necessary to discharge effectively his/her role as a Director.

A Director shall not be present during, or participate in discussions or voting on matters put before the Board in which he/she may have a material personal interest unless the other members of the Board otherwise decide.

### **3.4 Board Procedures**

- 3.4.1 The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders. The Board will be disciplined in carrying out its role, with the emphasis on strategic issues and policy. Directors will always act within any limitations imposed by the Board on its activities.
- 3.4.2 Directors will use their best endeavours to attend Board meetings. Directors are expected to participate fully and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board. Directors are unable to attend a meeting will advise the Chairman at an earlier date as possible and confirm in writing to the Secretary.
- 3.4.3 Board discussion will be open and constructive, recognising that genuinely held differences of opinion could bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal or regulatory requirements, the Board will decide the manner and timing of the publication of its decisions.
- 3.4.4 Executive Directors attend Board meetings to discharge their Board responsibilities. At Board meetings, Board responsibilities supersede all executive responsibilities.
- 3.4.5 The Board has sole authority over its agenda and exercises this through the Chairman. Any Director may, through the Chairman, request the addition of an item to the agenda. The Chairman in consultation with the MD and the Secretary will set the agenda.
- 3.4.6 The Board will normally hold meetings at least four (4) times in each financial year and will hold additional meetings as the situation requires.

- 3.4.7 Directors are entitled to have access, at all reasonable times, to all relevant company information and to Management.
- 3.4.8 Directors are expected to strictly observe confidentiality of company information.
- 3.4.9 In making policy, the Board will not reach specific decisions unless it has considered the more general principles upon which they are founded, and in reaching other specific decisions, the Board will consider the policies against which the decisions are made.
- 3.4.10 The Board shall have access to Management and employees of the Company in discharging its duties and responsibilities in connection with any meeting of the Board or any of the Board Committees. The Board may invite Management, employees or any other person to attend meetings of the Board or of any Board Committees to assist in the discussion and examination of the matters under consideration by the Board or Board Committees.

### **3.5 Chairman of the Board**

- 3.5.1 The Board will appoint a Chairman from among the Directors. The Chairman may be an executive or non-executive Director. If the Chairman of the Board is not an independent Director, the Board must comprise a majority of independent Directors.
- 3.5.2 The position of Chairman of the Board and MD shall not be held by a single person. Clear separation of roles will promote constructive debate and discussion at the Board's level. Combining the two (2) positions may render biasness and impair the ability and willingness of Independent Directors to exercise their independent judgement.
- 3.5.3 The Chairman is responsible for representing the Board to Shareholders.
- 3.5.4 The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in this Part 3.
- 3.5.5 The Chairman is responsible for maintaining regular dialogue with the MD and Executive Directors over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him cause for major concern.
- 3.5.6 The Chairman will act as facilitator at meetings of the Board to ensure that no Directors, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among Directors is forthcoming.

### **3.6 Board Composition**

- 3.6.1 The Board should comprise a minimum of one third (1/3) of independent non-executive Directors. The members of the Board will have an appropriate and broad range of qualifications and expertise.
- 3.6.2 Non-executive Directors will be active in areas which enable them to relate to the strategies of the Company and to make a meaningful contribution to the Board's deliberations.

- 3.6.3 The Board only considers Directors to be independent where they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.
- 3.6.4 The composition of the Board will reflect the duties and responsibilities it is to discharge and perform as representative of the interests of Shareholders, and in setting the Company's strategy and seeing that it is implemented. The Board should include a number of Directors which fairly reflected the investment in the Company by Shareholders other than the significant Shareholders.
- 3.6.5 Generally, the qualifications for Board membership are the ability and intelligence to make sensible business decisions and recommendations, an entrepreneurial talent for contributing to the creation of Shareholder value, the ability to see the wider picture, the ability to ask the hard questions, preferably some experience in the industry sector, high ethical standards sound practical sense, and a total commitment to furthering the interests of Shareholders and the achievement of the Company Goals.
- 3.6.6 Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company but shall be eligible for re-election.
- 3.6.7 Directors shall retire from office at least once every three (3) years but still be eligible for re-election.

### **3.7 Board Diversity**

The Board is not establishing a diversity policy or setting any target as it is more critical that appointment of Directors should be based strictly on merits and not driven by gender, ethnicity or age bias.

### **3.8 Board Committee**

- 3.8.1 Board committees are established to assist the Board in exercising its authority. Board committee will only speak or act for the Board when so authorised.
- 3.8.2 Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making.
- 3.8.3 Each Board committee shall have their respective approved Terms of Reference.
- 3.8.4 Each Board committee will have access to sufficient resources to carry out their activities effectively.
- 3.8.5 Board committees will observe the same rules of conduct and procedure as the Board unless the Board determines otherwise.
- 3.8.6 Each Board committee will assist the Board by focusing on the respective activities in accordance to the approved Terms of Reference, reporting to the Board on decisions, actions taken or making any necessary recommendations to the Board.

### **3.9 Board Nomination and Election Process**

- 3.9.1 The Nomination Committee will review the composition of the continuing members of the Board and Board committee annually and make recommendation(s) to the Board for new appointment to the Board or Board committees, when necessary. The Board then determines whether to approve the recommendation of the new appointment.
- 3.9.2 The criteria used in assessment of new Directors before appointment to the Board shall include but not limited to:
- skills and competency
  - knowledge and expertise
  - regional and industry experience
  - academic and professional qualifications
  - background, race, gender, age and nationality
  - high personal and professional ethics, integrity and values
  - ability to devote the required amount of time to carry out the duties and responsibilities of Board membership
  - financial capability and business stability to devote significant time, energy and resources
  - other directorship

### **3.10 Board and Member Evaluation**

- 3.10.1 The Board will review the size and composition of the Board at least annually. The Board or via the Board Committee, will also assess the Board's performance, at least annually, in order to confirm that its processes and procedures remain adequate to ensure that it is carrying out its functions as effectively as possible.
- 3.10.2 Individual Director will be evaluated by a process where the Board determines questions to be asked of each Director and about each other including the Chairman. Responses are collected and discussion of the results with each Director. The Chairman's own position is discussed with the rest of the Board.
- 3.10.3 Independent Directors will be assessed by the Board annually to ensure he/she can continue to bring independence and objective judgement to the Board deliberations.

### **3.11 Other Board Appointment**

Any Director is, while holding office, at liberty to accept other Board appointments so long as the appointment is not in conflict with the business and does not affect his performance as a Director.

### **3.12 Independent Professional Advice**

- 3.12.1 Any Director is entitled to obtain independent professional advice relating to the affairs of the Company or to his/her other responsibilities as a Director.
- 3.12.1 If a Director considers such advice is necessary shall be first discussed it with the Chairman and, having done so, shall be free to proceed.
- 3.12.2 Subject to the prior approval of the Chairman, the cost of the advice will be reimbursed by the Company but the Directors will ensure, so far as is practicable, that the cost is reasonable.

### **3.13 Provision of Business or Professional Services by Directors**

3.13.1 Generally, Directors shall not provide business or professional services of an ongoing nature to the Company.

3.13.1 Notwithstanding the general rule, the Company is at liberty to:

- for the purpose of a special assignment, engage the service of any Director having special expertise in the particular field; or
- engage the service of a party related to a Director's of an organisation

so long as the terms of engagement are competitive, are clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

### **3.14 Board Succession Planning**

3.14.1 The Board shall review its succession plans by assessing the Board composition which include information on board members, length of directorships held by the individual Director which give the Board a clear picture of upcoming vacancies which will need to be filled.

3.14.1 Individual Director will indicate his/her willingness whether to serve an additional term on the Board, if re-nominated, during the annual Directors' self evaluation.

### **3.15 The Secretary**

3.15.1 The appointment and removal of the Secretary shall be a matter of the Board as a whole.

3.15.2 The 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.

3.15.3 All Directors, particularly the Chairman, have access to the advice and services of the Secretary for the purposes of the Board's affairs and the business.

## **PART 4: STAKEHOLDERS MANAGEMENT**

The Board will ensure that the Company puts in place and review as required, a comprehensive communication policies to address how the Company:

- (a) Interacts with Shareholders, other stakeholders, public, media, government bodies and authorities; and
- (b) Complies with its continuous and timely disclosure requirements.

The Board will use its best endeavors to familiarise itself with issues of concern to Shareholders.

The Board will regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development of the business or the interests of Shareholders and, if thought appropriate, will take outside expert advice on these matters.

## **PART 5: BOARD-MANAGEMENT RELATIONSHIP**

### **5.1 Role of MD**

- 5.1.1 The Board will link the Company's governance and management functions through the MD.
- 5.1.2 All Board authority conferred on Management is delegated through the MD so that the authority and accountability of Management is considered to be the authority and accountability of the MD so far as the Board is concerned.
- 5.1.3 The MD manages the organisation in accordance with the strategy, business plans and policies approved by the Board to achieve the Company's goals.
- 5.1.4 The Board will agree with the MD to achieve specific results directed towards the Company's goals. This will usually take the form of an annual performance contract under which the MD is authorised to make any decision and take any action within the Management Limitations, directed at achieving the Company's goals.
- 5.1.5 The Chairman maintains an informal link between the Board and the MD and is available to the MD to provide counsel and advice where appropriate. The MD is expected to keep the Chairman and the Board informed on important matters.
- 5.1.6 Only decisions of the Board acting as a body are binding on the MD. Decisions or instructions of individual Directors, officers or committees are not binding except in those instances where specific authorisation is given by the Board.

### **5.2 Accountability of MD to the Board**

The MD, in association with the Chairman, is accountable to the Board for the achievement of the Company's goals and the MD is accountable for the observance of the Management Limitations.

### **5.3 Management Limitations**

- 5.3.1 The MD is expected to act within all specific authorities delegated to him by the Board.
- 5.3.2 The MD is expected not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics.
- 5.3.3 In allocation the capital and resources of the Company, the MD is expected to adhere to the Company's goals.
- 5.3.4 The MD is expected not to cause or permit any action without taking into account the health, safety, environment and political consequences and their effect on long-term shareholder value.
- 5.3.5 The MD is expected not to cause or permit any action that is likely to result in the Company becoming financially embarrassed.

- 5.3.6 The assets of the Company are expected to be adequately maintained and protected, and not unnecessarily placed at risk. In particular, the Company must be operated with a comprehensive system of internal control, and assets of funds must not be received, processed or disbursed without controls that, as a minimum, are sufficient to meet standards acceptable to the Company's external auditors.
- 5.3.7 The MD is expected not to permit employees and other parties working for the Company to be subjected to treatment or conditions that are undignified, unfair or unsafe.
- 5.3.8 The MD is expected not to cause or permit payments to be made or rewards given unless they are in return for contributions towards the purposes of the business and are proportional to the extent that the contribution in question has furthered such purposes.

#### **5.4 Role of Chairman**

- 5.4.1 The Chairman is principally responsible for the working of the Board which include:
- Providing overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions.
  - Participating in the selection of Board members and ensuring that the membership is properly balanced.
  - Chairing meetings of the Board in such a manner that will stimulate debate on the issues before the Board and encourage the most effective contribution from each Director. The Chairman should ensure that the agenda and all necessary papers are given to Directors in sufficient time to enable the papers to be adequately considered before the meeting.
  - Reviewing the minutes of meetings of the Board before meeting, to ensure they accurately reflect the Board's deliberations, and matters arising from the minutes and on which further action is required have been addressed.
  - Monitoring Board performance as a whole.
  - Ensuring membership of the Board is appropriately skilled to meet the needs of the Company.
  - Assisting in Board discussions to address the key issues faced the Company.
  - Initiating the establishment of Board Committees and ensuring that they achieve their objectives.
  - Guiding and promoting the ongoing efficacy and development of the Board and its individual Directors.
  - Enhancing corporate governance.
- 5.4.2. The Chairman acts as an informal link between the Board and management and particularly between the Board and the MD. No company is likely to run effectively and efficiently unless there is a good working relationship between the Chairman and the MD.

The Chairman, along with all other Directors, should recognise that the MD is the leader of the Company in all matters of Management and should not expect to become involved in the Company's day-to-day operations. It is the MD responsibility to report to the Board as a whole and not just to the Chairman.

- 5.4.3 The Chairman expects to be kept informed by the MD of all important matters and makes himself available to the MD:
- to be part of the control mechanism in ensuring that the MD decisions are properly considered and sound;
  - to give assistance and advice when needed especially on sensitive matters which he feels unable to discuss with other executives;
  - to ensure that the MD understands properly and performs his side of the relationship; and
  - to oversee Management establishes adequate control mechanism to cover compliance responsibilities and risk management.
- 5.4.4 The Board communicates with Shareholders at Shareholders' meetings and through the distribution of its annual reports. The Chairman normally chairs these meetings where he will use this as an opportunity to inform Shareholders of the Company's affairs including its performance.
- This role calls for special skill and personal qualities that allow and encourage shareholders to have their say while remaining relevant to the matter, and the Chairman must also have capacity to summarise and unify thoughts and ideas and in control of the meeting.
- 5.4.5 The Chairman also lead the role in presenting the Company's cause, whether formally or informally, with the authorities, institutional or potential investors and those having influence on the environment in which the Company operates.

## **PART 6: REVISION AND UPDATES**

This Board Charter was approved and adopted by the Board of Cymao Holdings Berhad effective from 19 April 2014. It is to be reviewed by the Board as and when required. Any intervening changes or additions will be by way of circular.