

# **CNI HOLDINGS BERHAD**

## **BOARD CHARTER**

### **PURPOSE**

The Board Charter sets out the Board's strategic intent and outlines the functions, duties and responsibilities of the Board as officers of the Company to ensure high standards of corporate governance and compliance with the various legislations and regulations.

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

- (i) The Board is obligated to play an active role in directing management in an effective and responsible manner. The Directors, collectively and individually, has a legal and fiduciary duty to act in the best interest of the Company and to effectively represent and promote the interests of the shareholders and stakeholders with a view to achieve its vision towards corporate sustainability.
- (ii) Having regard to the above, the Board assumes the following major responsibilities in the discharge of its obligation:
  - (a) Ensuring that the Company goals are clearly established and that strategies are in place for achieving them;
  - (b) 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;
  - (c) Monitoring the performance of Management;
  - (d) 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;
  - (e) Ensuring that the Company's financial statements are true and fair and conform with law;
  - (f) Ensuring that the Company adheres to high standards of ethics and corporate behaviour;
  - (g) Ensuring that the Company has appropriate risk management/regulatory compliances policies in place.

- (iii) The Board reserves full decision-making powers on the following matters:-
  - (a) Material acquisitions and disposition of assets not in the ordinary course of business;
  - (b) Investments in capital projects;
  - (c) Authority levels;
  - (d) Treasury policies;
  - (e) Risk management policies;
  - (f) Key human resource issues; and
  - (g) Conflict of interest issues relating to a substantial shareholder or a Director
- (iv) In compliance to the requirements of any Act, rules, regulations and guidelines that are in force from time to time, the Directors have the obligation to notify the Company Secretary as necessary of their directorships, shareholdings and/or interest (direct or indirect) in the Company and update on changes arising thereto as soon as practical.

## **2. RESPONSIBILITIES OF MANAGEMENT**

- (i) 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 Group Chief Executive Officer (CEO).
- (ii) The Board has established written policy and procedures determining the authority limit for Management, specifically on procurement, capital expenditure and credit control.

## **3. INDEPENDENT DIRECTORS**

- (i) At least two (2) or one-third (1/3), whichever is higher, of the Board members are Independent Directors as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Directors must give effect to the spirit, intention and purpose of the definition.
- (ii) The Independent Directors must ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.
- (iii) The tenure of an Independent Director, unless approved by the shareholders for such further period, shall not exceed a cumulative term of nine (9) years. Prior to attaining the stipulated number of years, the Nomination Committee will consider the following and recommend to the Board accordingly:

- (a) whether the Independent Director to continue to serve on the Board subject to his re-designation as a Non-Independent Director; or
  - (b) whether to seek shareholders' approval in order to retain him as an Independent Director.
- (iv) Directors are expected to advise the Chairman immediately if they believe that they may no longer be independent.
- (v) The Board undertakes to assess the independence of Independent Directors on an annual basis.

#### 4. **CODE OF ETHICS AND CONDUCT FOR DIRECTORS**

- (i) The Code of Ethics applies to all members of the Board of Directors serving from time to time. The principles outlined herein are intended to:
- codify a standard of conduct by which all Directors are expected to abide;
  - protect the business interests of the Company;
  - maintain the Company's reputation for integrity; and
  - foster compliance with applicable legal and regulatory
- (ii) The Directors are required to observe the following at all times:
- (a) act honestly, in good faith and in the best interests of the Company as a whole.
  - (b) use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
  - (c) use the powers of office for a proper purpose, in the best interests of the Company as a whole.
  - (d) recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
  - (e) must not make improper use of information acquired as a director.
  - (f) must not take improper advantage of the position of director.
  - (g) must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
  - (h) must not give or receive gifts of any value under circumstances that are unlawful or might otherwise appear to be an attempt to improperly influence a decision which affects the Company.
  - (i) has an obligation to be independent in judgment and actions and to take all

reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.

- (j) confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or is required by law.
- (k) should not engage in conduct likely to bring discredit upon the Company.
- (l) has an obligation at all times to act ethically and to comply with the spirit of the Code and the Board Charter.
- (m) ensure that all suspected reports of unethical practices are investigated fully and thoroughly to ensure the Company operates in the manner expected of the Company by society.

## 5. **BOARD LEADERSHIP**

- (i) There are two (2) key tasks in Board leadership, namely the running of the Board and the executive responsibility for the running of the Company's business. There should be a clear division of responsibilities in the Board to ensure balance of power and authority, such that no one individual has unfettered powers of decision-making.
- (ii) The Company is led by the Chairman and Group CEO with their roles distinct, separated and responsibilities clearly defined between them. The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board while the Group CEO leads the executive management and is responsible for the implementation of Company's policies and strategies besides overseeing and managing the day-to-day operations of the Company.

## 6. **BOARD MEETINGS**

- (i) The Board will normally hold meetings at least four (4) times in each financial year and will hold additional meetings as the situation requires.
- (ii) Directors will use their best endeavour to attend the Board Meetings. Directors are expected to prepare themselves thoroughly and 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.
- (iii) 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 Group CEO and the Company Secretary will set the agenda.
- (iv) Directors who are unable to attend the Board Meetings shall accordingly advise the Chairman, Group CEO and/ or the Company Secretaries on the same at the earliest time possible.

- (v) Board discussions 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 of 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.
- (vi) Directors are expected to strictly observe confidentiality of the Company information.

## **7. ACCESSTO INFORMATIONAND ADVICE**

- (i) The Company aims to provide all Directors with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.
- (ii) The Management is responsible for providing the Board with the required information in an appropriate and timely manner. The Chairman, assisted by the Company Secretary, assesses the type of information required to be provided to the Board. If the information provided by the Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.
- (iii) The full agenda and comprehensive Board papers are disseminated to all Directors in advance of meetings to enable them to prepare for the meetings.
- (iv) Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.
- (v) The Board meeting papers provided to the Directors include progress reports on business operations, financial results, information on business propositions, industry outlook, operational and regulatory compliance matters, corporate proposals besides minutes of meeting of Board Committees and Management. For corporate proposals deemed material and price-sensitive, supporting papers would be circulated to the Directors during the Board meeting.
- (vi) At Board meetings, the Management presents and provides explanation on the reports provided. Senior Management and Consultants may be invited to attend the Board meetings to advise or give detailed explanation and clarification on relevant agenda items to enable the Board to make informed decisions. Any Director who has a direct and/ or indirect interest in the subject matter to be deliberated on shall abstain from deliberation and voting on the same.
- (vii) Directors are entitled to have access, at all reasonable times, to all relevant Company information and to Management and have at least two (2) private sessions in a year with the external auditors.
- (viii) The Directors, whether as full Board or individual capacity, may seek independent professional advice in furtherance of their duties. If such advice is considered

necessary, it shall be first discussed with the Chairman and having done so, shall be free to proceed. 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.

- (ix) The Directors have unlimited access to the professional advice and services of the Company Secretary.

## 8. **COMPANY SECRETARY**

- (i) The Board appoints the Company Secretary and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.
- (ii) The appointment and removal of Company Secretary is a matter for the Board as a whole.
- (iii) 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.
- (iv) The Board recognises the fact that the Company Secretaries of the Company are suitably qualified and competent in carrying out the duties required.

## 9. **BOARD COMMITTEES**

- (i) Board Committees will be formed only when it is necessary to facilitate efficient decision-making.
- (ii) Board Committees will observe the same rules of conduct and procedure as the Board unless the Board determines otherwise.
- (iii) The Board of the Company has appointed the following Board Committees with specific terms of reference:
- Audit Committee
  - Nomination Committee
  - Remuneration Committee
- (iv) Independent and Non-Executive Directors of the Company play a leading role in these Committees. The Management is co-opted to the Committees as and when required.
- (v) The Board Committees consider particular issues and recommend proposed actions to the Board. The Chairman of the respective Committees will report on the decisions and/or recommendations made by the Committee to the Board. The Minutes of all Board Committees are made available to the Board.

- (vi) The terms of reference of each Committee appointed by the Board are attached hereto as Appendix 1, 2 & 3.

#### **10. BOARD APPOINTMENTS**

- (i) The appointment of new Directors is a matter for consideration and decision by the Board upon recommendation from the Nomination Committee.
- (ii) New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance or its duties and to give sufficient time and attention to the meetings/affairs of the Company.
- (iii) The Board has never practiced nor allowed gender biasness as they believe that the ability and capability of an individual should be the priority to place in appointing a director.

#### **11. BOARD COMMITMENT**

- (i) Any Director of the Company, while holding office, is 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. This must be subsequently notified to the Chairman and Group CEO.
- (ii) The Directors are guided by the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on attendance of at least 50% of Board Meetings held in a financial year and that directorships held by any Board member at anyone time shall not exceed five (5) in listed companies.
- (iii) The Directors of the Company are required to notify the Chairman before accepting any invitation to serve on another company board and to indicate the time expected to be spent on the new appointment. This will be considered and assessed by the Nomination Committee to the extent that it is not in conflict with the business and will not detrimentally affect their responsibilities and time commitment to the Company. The approval of the existing Board is required prior to accepting any new appointments on boards of other listed companies.

#### **12. BOARD TRAINING AND DEVELOPMENT**

- (i) In addition to the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad, the Directors are encouraged to attend various training programmes and to participate in site visits at business locations to constantly update their knowledge as well as enhance their skills. This will enable Directors to effectively discharge their duties and keep abreast with industrial sector issues, developments in the industry and global market, management strategies and regulatory laws, rules as well as guidelines and which are relevant to the Company's operations and business.
- (ii) The training needs of the Directors will be reviewed by the Nomination Committee on a regular basis to ensure that they are acquainted with the latest development and changing environment within which the Company operates.

**13. BOARD EVALUATION**

- (i) The performance of the Directors as a whole and individually are assessed by the Nomination Committee on a yearly basis with due consideration to the competency, commitment, contribution and performance.

**14. DIRECTORS' REMUNERATION**

- (i) The Company aims to set a fair remuneration and other emoluments to attract, retain and motivate directors and ensure that rewards commensurate with their contributions and in tandem with the performance of the Company.
- (ii) The Remuneration Committee is responsible to annually:
  - (a) review the achievement of the Executive Directors and recommend the framework of their remuneration package to the Board for their approval, with the Executive Directors abstaining from deliberation and voting on the same;
  - (b) recommend the basic annual fees of the Directors; and
  - (c) recommend meeting allowance paid to Directors for attendance at meetings and based on their responsibilities in Board Committees.
- (iii) The ultimate approval for the above lies with the Board and the relevant Directors are to abstain from deliberation and voting on their remuneration.

**15. REVIEW OF BOARD CHARTER**

This Board Charter to be made available on the website of the Company will be reviewed periodically to ensure they remain consistent with the Board's objectives and responsibilities as well as relevant standards of corporate governance.

This Board Charter is approved and adopted by the Board of Directors of CNI Holdings Berhad on 18 April 2014.

# **CNI HOLDINGS BERHAD**

(Company No. 181758-A)

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE.**

### **1) Constitution**

The Audit Committee was established on 25 May 2005.

### **2) Memberships**

- 2.1) The Audit Committee shall be appointed by the Board from amongst its Directors and shall consist of three (3) members with the majority being Independent Directors.
- 2.2) At least one member of the Audit Committee:-
  - i) must be a member of the Malaysian Institute of Accountants (MIA), or
  - ii) if he is not a member of the MIA, he must have at least 3 years' working experience and
    - aa) have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - bb) be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 2.3) No Alternate Director is to be appointed as a member of the Audit Committee.
- 2.4) All members of the Audit Committee must be Non-Executive Directors, with a majority of them being Independent Directors.
- 2.5) The members of the Audit Committee shall be appointed for an initial term of 3 years after which they will be eligible for re-appointment.
- 2.6) The Board of Directors of the Company shall review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.
- 2.7) The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 2.8) All members of the Audit Committee shall be financially literate.

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## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE.**

### **3) Chairman of Audit Committee**

The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Director.

### **4) Meetings**

- 4.1) The Audit Committee will meet at least four (4) times in a year although additional meetings maybe called at any time, at the discretion of the Chairman.
- 4.2) The Head of Finance and Accounts, the Head of Internal Audit and/or representatives of external auditors shall appear and be heard at any meeting of the Audit Committee when required by the Committee. Other Board members shall also attend the meeting upon the invitation of the Committee.
- 4.3) At least twice a year, the Committee shall meet with the external auditors without any executive Board members present.
- 4.4) A quorum shall be two (2) members and the majority of members present must be Independent Directors.
- 4.4) The Company Secretary shall be the Secretary of the Committee. The Secretary shall be responsible, in conjunction with the Chairman, for drawing up the Agenda and circulating it to the Committee members prior to each meeting. The Secretary will also be responsible for keeping the minutes of the meetings of the Committee, and circulating to the Committee members and to other members of the Board.
- 4.5) A resolution in writing signed or approved by letter by all the members of the Audit Committee who are sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted. All such resolution shall be described as "Audit Committee Circular Resolution" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

### **5) Authority**

The Audit Committee is authorized by the Board to: -

- 5.1) investigate any matter within its terms of reference;
- 5.2) have the resources which are required to perform its duties;

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## TERMS OF REFERENCE OF THE AUDIT COMMITTEE.

- 5.3) have full and unrestricted access to any information pertaining to the Group or the Company;
- 5.4) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- 5.5) obtain independent professional or other advice if it considers necessary; and
- 5.6) convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Group or the Company, whenever deemed necessary.

### 6) Duties and Responsibilities

The duties and responsibilities of Audit Committee include:-

- 6.1) To review with the external auditors: -
  - i. the audit plan;
  - ii. their evaluation of the system of internal control;
  - iii. their audit report, management letter and management's response.
- 6.2) To consider the appointment and re-appointment of external auditors, the audit fee and any question of dismissal or resignation where explanations are provided.
- 6.3) To review with the internal auditors:-
  - i. the adequacy of the scope, functions, competency and resources of the internal audit function, including the authority of the internal audit.
  - ii. the internal audit programme, processes, and the results of the internal audit programme, processes or investigations undertaken, and where necessary, ensure appropriate actions are taken on the recommendations of the internal audit function.
  - iii. any appraisal or assessment of the performance of members of the internal audit function.
  - iv. approve any appointment or termination of senior staff members of the internal audit function.
- 6.4) To review with the management and/or external auditors the quarterly and year end financial statements prior to the approval of the Board, focusing particularly on:-
  - i. changes in or implementation of major accounting policies and practices;
  - ii. significant and unusual events;
  - iii. compliance with accounting standards and other legal requirements;

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- iv. significant adjustments arising from the audit;
  - v. the on-going concern assumptions; and
  - vi. major judgmental areas.
- 6.5) To review related party transactions and conflict of interest situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity.
- 6.6) To review current / pending litigation or regulatory proceedings bearing on corporate governance in which the Company is a party.
- 6.7) To review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports.
- 6.8) To review the means of safeguarding asset and, as appropriate, verify the existence of such assets.
- 6.9) To appraise the economy, effectiveness and efficiency with which resources are employed.
- 6.10) To review the risk management update and evaluate the risk exposure relating to the Company's governance, financial, operations and information systems.
- 6.11) To review operations or programmes to ascertain whether results are consistent with established objectives and goals, and whether the operations / programmes are being carried out as planned.
- 6.12) To perform any other functions or duties as may be agreed to by the Committee and the Board.

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**TERMS OF REFERENCE OF NOMINATION COMMITTEE**

**1. Constitution**

The Nomination Committee was established on 12 July 2005.

**2. Membership**

The Committee shall be appointed by the Board from amongst its Directors and shall comprise exclusively of Non-Executive Directors, majority of whom are independent.

The Chairman and members of the Committee shall be appointed by the Board.

**3. Duties And Responsibilities**

The duties and responsibilities of Nomination Committee are as follows:-

- a) To consider, evaluate and recommend to the Board any new board appointments. In making a recommendation to the Board on the candidate for directorship, the Committee shall have regard to size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommend candidate can contribute to the existing Board and Group.;
- b) To recommend to the Board, Directors to fill the seats on Board Committees;
- c) To review annually and recommend to the Board with regard to the structure, size, balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which non-executive directors should bring to the Board and other qualities to function effectively and efficiently;
- d) To assess and evaluate on an annual basis, the effectiveness of the Board as a whole, the Board Committees and each Director's ability to contribute to the effectiveness of the Board and the relevant Board Committees;
- e) To recommend to the Board whether Directors who are retiring by rotation should be put forward for re-election/ re-appointment at annual general meeting;
- f) To ensure an appropriate framework and plan for Board succession in the Group;  
and
- g) To provide adequate training and orientation to new Directors as well as continuous training for all Directors during the year.

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**TERMS OF REFERENCE OF NOMINATION COMMITTEE**

- g) Such other matters as the Board may from time to time determine.

**5. Meetings**

The Nomination Committee shall meet at least once in a year although additional meetings maybe called at any time, at the discretion of the Chairman.

The quorum for meetings shall be two (2) members and the majority of members present must be independent directors.

The Committee, through its Chairman, shall report to the Board at the next Board of Directors meeting after each Committee meeting. The minutes of the Committee meeting shall be available to all Board members.

The Committee shall be entitled to the services of a company secretary who must ensure that all appointments are properly made, that all necessary information is obtained from directors, both for the company's own records and for the purposes of meeting statutory obligations.

A resolution in writing signed or approved by letter by all the members of the Nomination Committee who are sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting of the Nomination Committee duly called and constituted. All such resolution shall be described as "Nomination Committee Circular Resolution" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

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**TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

**1. Constitution**

The Remuneration Committee was established on 12 July 2005.

**2. Membership**

The Committee shall be appointed by the Board from amongst its Directors and shall consist of wholly or mainly of Non-Executive Directors.

The Chairman and members of the Committee shall be appointed by the Board.

**3. Duties & Responsibility**

The duties and responsibilities of Remuneration Committee are as follows:-

- a) To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director;
- b) To recommend to the Board any performance related pay schemes for Executive Directors;
- c) To ensure that a link is maintained between the level of remuneration and individual performance against agreed KPIs with the performance-related elements of remuneration forming a proportion of the total remuneration package of Executive Director;
- d) To recommend the fees of Directors for shareholders' approval at Annual General Meeting;
- e) To recommend meeting allowance paid to Directors for attendance at Board meetings and Board Committee meetings;
- f) To consider the appointment of the services of such adviser or consultants as it deems necessary to fulfill its functions; and
- g) Such other matters as the Board may from time to time determine.

**4. Meetings**

The Remuneration Committee shall meet at least once in a year or at such other times as the Chairman of the Committee deems necessary.

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**TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

The quorum for meetings shall be two (2) members and the majority of members present must be Non-Executive Directors.

The Committee, through its Chairman, shall report to the Board at the next Board of Directors meeting after each Committee meeting. The minutes of the Committee meeting shall be available to all Board members.

The Committee shall be entitled to the services of a company secretary who must ensure that all appointments are properly made, that all necessary information is obtained from directors, both for the company's own records and for the purposes of meeting statutory obligations.

A resolution in writing signed or approved by letter by all the members of the Remuneration Committee who are sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting of the Remuneration Committee duly called and constituted. All such resolution shall be described as "Remuneration Committee Circular Resolution" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.