

**PACIFIC & ORIENT BERHAD**  
**(Company No: 308366-H)**

**BOARD CHARTER**

**1. PURPOSE**

The primary purpose of this Board Charter is to outline the structure, responsibilities and rights of the Board of Directors of Pacific & Orient Berhad (“the Company” or “POB”).

This Board Charter supplements and does not in any way supersede the provisions of the Company’s Articles of Association (“Articles”), the Companies Act 1965, the Bursa Malaysia Listing Requirements or any other legislations or regulations.

**2. OBJECTIVES**

The objectives of this Board charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and to ensure that the principles of good Corporate Governance are applied in all their dealings, for and on behalf of the Company.

**3. BOARD LEADERSHIP**

The Board of Directors of the Company (“the Board”) should provide leadership and vision to the Company, in a way that will enhance shareholders’ value and ensure long-term sustainable development and growth of the Company.

The running of the Board and the executive responsibility for the running of the Company’s business are the two key tasks at the top of the Company. There should be a clear division of responsibilities at the head of the Company to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The roles of the Chairman and the Chief Executive Officer (“CEO”) are separate, with responsibilities divided between them.

**3.1 The Chairman**

- (a) The Chairman has no executive functions.
- (b) The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board.
- (c) The Chairman is responsible for representing the Board to the shareholders.
- (d) The Chairman must ensure that the contents and order of agenda are appropriate and that members of the Board have the relevant papers in good time. The Chairman must also ensure that Board members are properly briefed

on issues arising at board meetings and that all available information on an issue is before the Board.

### **3.2 The CEO**

- (a) The Board will appoint the CEO and set the terms of his appointment.
- (b) The Board delegates the Company's governance and management functions to the CEO.
- (c) The task of the CEO is to run the business of the Company and to implement the policies and strategies adopted by the Board. The CEO must supervise and control the general management and operation of the Company within agreed constraints and limitations.
- (d) All Board authorities conferred on management are delegated to the CEO, so that the authority and accountability of management is considered to be the authority and accountability of the CEO so far as the Board is concerned.
- (e) The Board will agree with the CEO the specific results directed towards the Company in achieving its goals through a series of authorized decisions and mandated actions within management limitations, directed at achieving such goals.
- (f) The CEO is expected to act within all specific authorities delegated to him by the Board.
- (g) The CEO with the management team, is expected to ensure that the Company's assets are adequately maintained and protected and not unnecessarily placed at risk and not to cause or permit anyone to substitute their own risk preferences for those of the shareholders as a whole.

## **4. BOARD MEMBERSHIP**

### **4.1 Composition**

At least 2 directors or 1/3<sup>rd</sup> of the board of directors of a listed issuer, whichever is higher, are independent directors. If the number of directors of the listed issuer is not 3 or a multiple of 3, then the number nearest 1/3<sup>rd</sup> shall be used.

The Board is responsible to determine the appropriate size of the Board. The screening and evaluation process for potential new directors and directors to be nominated for re-election or re-appointment are delegated to the Nominating Committee ("NC").

On boardroom diversity, the Board is supportive of the gender boardroom diversity recommended by the Malaysian Code on Corporate Governance. The Board through the NC will review the proportion of the female to male board members during the annual assessment of the Directors' performance taking into consideration the appropriate skills, experience and characteristics required of the Board members, in the context of the needs of the Company.

The Board composition must also be sufficient to:

- i. ensure a wide range of qualifications, skills and knowledge, views and experience, towards achieving the Company's goals; and
- ii. achieve the balance of skills, experience, and professional and industry knowledge necessary to meet the Company's strategic objectives.

The Board shall be responsible for recommending its members for election or appointment by the shareholders.

#### **4.2 Appointment**

The NC is involved in the process of assessing and nominating new Directors before recommending for Board's approval. Procedures for appointment to the Board shall be formal and transparent, and on such basis as the Board may determine.

#### **4.3 Size of Board**

The size of the Board is dictated by the Articles.

#### **4.4 Time Period of Office**

- (a) Board members are also subject to retirement by rotation and re-election in accordance with the Articles.
- (b) New Board members will only hold office until the next annual general meeting at which they will retire and become available for election.
- (c) Termination of service/employment contract or expiry of the appointment date will result in resignation from the Board.

#### **4.5 Retirement Age**

A director who has attained the age of 70 prior to the annual general meeting of the Company in any year shall retire from office at such annual general meeting unless he is re-appointed as a director to hold office until the next annual general meeting of the Company. This is in compliance with the provisions of the Companies Act, 1965.

#### **4.6 Reward System**

- (a) The Board will determine the level of remuneration paid to non-executive directors within any limitations imposed by shareholders.
- (b) Levels and make-up of remuneration should be sufficient to attract and retain the Board members needed to run the Company successfully, but the Company should avoid paying more than is necessary for this purpose.

- (c) The CEO's remuneration will be reviewed annually by the Board.
- (d) Executive members will receive no fees but will be paid as employees of the Company in accordance with their contracts of employment with the Company.
- (e) No Board member will be involved in deciding his/her own remuneration.

#### **4.7 Induction of new director**

- (a) On appointment, new members will have the benefit of an induction programme aimed at deepening their understanding of the Company and the business environment and markets in which the Company operates that includes background material and corporate/business profile. The induction programme will entail the following:
  - knowledge of the Company (ownership power, rules, regulations, board structure, membership and processes);
  - knowledge of the business (business processes, corporate strategies, organization, management and people); and
  - knowledge of the financials (annual accounts, directors' reports, trends of the key financial ratios and financial performance of the business).
- (b) New Board members with no or limited board experience shall receive development and training to inform/equip them with the skills to perform their duties, including fiduciary responsibilities, powers and potential liabilities.

#### **4.8 Directors' Training**

- (a) All Board members are expected to keep themselves abreast of changes and trends in the business and in the Company's environment and markets, which shall include changes and trends in the economic, political, social and legal climate generally.
- (b) All Board members shall identify and undergo training programme to ensure that the Board members continuously possess the appropriate level of awareness in relation to:
  - their duties, responsibilities and powers;
  - their legal responsibilities;
  - changes in legislations and governing policies of the relevant authorities; and

- enhancing their skills and knowledge in both statutory and regulatory requirements.

## **5. BOARD RESPONSIBILITIES**

The Board of Directors (“Board”) is responsible for the proper stewardship of the Company. The Board is to ensure the maximisation of shareholders’ value and safeguarding the stakeholders’ interests including securing sustainable long-term financial results and increasing shareholders value. Hence, the Board should collectively have sound and sufficient knowledge and expertise to enable effective governance and oversight.

Generally, a director’s responsibilities include:

1. To be aware of the Company’s operating environment and promote safety and soundness of the Company;
2. To be diligent in undertaking his duties and avoid conflict of interest situation;
3. To understand his oversight role and exercise independent judgment in decision making;
4. To devote adequate time and attention to discharge his duties and responsibilities effectively; and
5. To contribute actively to functions of the Board and be able to provide sound and objective advice.

The Board has the following major responsibilities, which facilitate the discharge of the Board’s stewardship in the pursuit of the best interest of the Company:

1. Adopting and reviewing a strategic plan for the Company;
2. Overseeing the conduct of the Company’s business to evaluate whether the business is being properly managed and sustained;
3. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
4. Succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing key senior management of the Company;
5. Developing and implementing an investor relations programme or communications policy for the Company; and
6. Reviewing the adequacy and integrity of the Company’s internal control systems and management information systems, including systems for

compliance with applicable laws, regulations, rules, directives and guidelines.

The schedule of matters approved by the Board are reserved for the collective decision of the Board.

The day-to-day management will be in the hands of the CEO and management.

## **6. BOARD STRUCTURES**

### **6.1 Board Committees**

The Board is authorized to form committees, when it is efficient or necessary to facilitate efficient decision-making to assist the Board in the execution of its duties. Delegating authority to Board committees does not in any way mitigate or dissipate the discharge by the Board of their duties and responsibilities.

There shall be transparency and full disclosure from the committees to the Board, except where the committee has been mandated otherwise by the Board.

The Board committees will observe the same rules of conduct and procedures as the Board, unless the Board determines otherwise.

The Board committees will only speak or act for the Board when so authorized. The authority conferred on a committee will not derogate from the authority delegated by the Board to the CEO, who is also the executive director of the Company.

All such committees must be provided with written terms of reference which state clearly the extent and limits of their responsibilities and authority, specifically whether they have authority to decide on behalf of the Board or are to report back to the Board.

There shall be established the following committees:

- Audit Committee;
- Nominating Committee; and
- Remuneration Committee.

## **7. BOARD MEETINGS**

- 7.1 Board members 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 table.

## 7.2 Frequency and Quorum

- (a) Meetings of the Board will be held at such time and at such venue as the Board deems appropriate, but it will meet at least four times annually or more where circumstances necessitate.
- (b) The quorum necessary for the transaction of business is fixed by the Articles.

## 7.3 Agenda and Meeting Papers

- (a) An agenda is prepared prior to the meeting, raising issues that require attention, ensuring that proceedings are conducted efficiently and all appropriate matters addressed. The CEO and the Company Secretary must also work with the Chairman on preparing the agenda.
- (b) The Company Secretary must circulate the agenda and other meeting papers to the Board members on a timely basis.

## 7.4 Conflict of Interest

- (a) Board members are required to inform the Board of conflict or potential conflict of interest they have in relation to particular items of business, preferably in advance.
- (b) Board members are required to disclose their direct or indirect shareholdings in the Company, other directorships and any potential conflict of interest.
- (c) Board members should abstain from deliberation/discussion or decisions on matters in which they have a conflicting interest.

## 7.5 Minutes

- (a) Minutes of each meeting shall be distributed to all Board members on a timely basis.
- (b) Minutes of the Board meeting will be duly entered in the Minutes Books kept by the Company Secretary. Such minutes shall be signed by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.

## **8. CHANGES TO BOARD CHARTER**

This Board Charter is approved by the Board and is subject to changes in laws and regulations. Changes to this Board Charter may only be authorised by the Board.

## **SCHEDULE OF MATTERS SPECIFICALLY RESERVED FOR BOARD'S DECISION**

1. Acquisitions and disposals of assets exceeding RM250,000.
2. Related party transactions of a material nature which is defined as transactions exceeding the lower of RM250,000 or 1% of the insurance fund surplus determined at the end of the preceding financial year.

(The Board should review from time to time any impending transaction committed by the Company which triggers the holding company to comply with Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.)

3. Delegation to Management

Distinctions must be maintained between executive operational day-to-day functions and the overall responsibility of the Board.

The Board may delegate power to any committee, director or officer, employee, expert or any other person. However, the directors are still charged with the responsibility “for the exercise of such power by the delegates” as if such power had been exercised by the directors themselves, in accordance with Section 132(1F) of the Companies Act 1965.

4. Setting of Management Limits

The Board should:

- specify the parameters within which management decisions are to be made; and
- ensure clearly articulated legal-ethical boundaries.

5. Strategy Setting, Implementation and Supervisory

The Board should review the group's (comprising the Company and its subsidiaries, including associates where relevant) strategic direction, including the approval of corporate exercises or restructuring plans.

6. Board Meetings and Agenda Setting

- Timely receipt of Board and committee papers with accompanying notes and explanations for agenda items, preferably at least 7 days before the meeting.
- Board resolutions passed by way of circular resolutions should be practiced sparingly, and individual Board members must exercise prudence in consenting to a circular resolution that involves the Company's assets.



- The Board should ensure that the minutes of the Board meetings are prepared on time and review the minutes to ensure completeness and accuracy.

## 7. Board Processes in Meetings

- A meaningful review of outstanding major action items from previous meetings.
- A candid discussion of current issues, which may significantly affect the business of the Company, should be encouraged. These issues include:
  - Risk management matters;
  - Major economic and industry trends;
  - Competitors' action;
  - Adverse publicity/rumours concerning the Company and/or its subsidiaries;
  - Change in regulatory requirements in the industry/business that the Company operate in;
  - Fluctuations in major raw material prices and supplies of the same; and
  - Monitoring of management's performance
- The Board should review the Company's performance, i.e. financial results and operations of the current quarter, year-to-date and forecast, including budget variance reporting.

## 8. Monitoring of Financial Performance

- With the assistance from its Board committee i.e. Audit Committee, which provides the Board with additional and more specialized oversight of the financial reporting process and assurance of the quality and reliability of the financial information to facilitate the discharge of the Board's responsibility in respect of the timely preparation and issuance of financial statements, the Board is able to monitor the financial performance of the Company efficiently.
- The Board should conduct a review of the Company's funding requirements on a continuing basis, including significant treasury matters, approval of financing arrangements, cheque and other signatories.
- The Board should ensure proper procedures are put in place and that the financial statements (including quarterly/year-end announcements) of the group (comprising the Company and its subsidiaries) are reviewed for integrity and approved for timely lodgment with, and/or release to, the various authorities and market.

## 9. Effectiveness in Monitoring Internal Controls

- The Board with the assistance from the Audit Committee, ensure that there is an unequivocal and demonstrable commitment to articulate, implement and review the Company's internal control systems.

- Appropriate resources should be made available to set up and manage information systems to ensure that both the Board and management receive relevant and reliable information on a timely basis and that the Company is not exposed to unmanaged financial and operational risks.
- Periodic testing of the integrity of the internal control procedures and processes must be conducted to ensure the system set-up is viable and robust enough to assist management in realizing Company objectives.

#### 10. Remuneration Review

- The Board should review for approval recommendation from the remuneration committee on remuneration packages of executive directors and recommend fees of directors for shareholders' approval at the annual general meeting of the Company.
- In addition in the review of the remuneration packages of executive directors, the Board through its Board committee, should also review the remuneration packages and evaluate the performance of the senior management.

#### 11. Declaration of Dividend

The Board should review the dividend policy of the Company and determine the amount of dividend to be declared.