

# **LUSTER INDUSTRIES BHD.**

(Company No. 156148-P)

# **Board Charter**

**(last amended on 31 December 2021)**

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## **1. Preamble**

The enhancement of corporate governance standards is vital towards the achievement of the objectives of transparency, accountability and effective performance for Luster Industries Bhd. (“Luster” or “LIB” or “the Company”) and its subsidiaries (“the Group” or “Luster Group” or “LIB Group”). Accordingly, this Board Charter (“Charter”) is established with the aim of enshrining the concepts of good governance as promulgated in the Malaysian Code on Corporate Governance and its revision in 2017 (“MCCG”).

The Charter serves as a reference point for Board activities and should not be construed as a blueprint for Board operations. It is aimed to provide guidance for the Board and Management vis a vis the role of the Board and its Committees, the requirements of the Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as the Board’s present practices.

Just as each organisation has its own corporate culture, the dynamics of each Board is unique. The dynamics shift as the composition of the Board changes, and the Directors of the Company should always be open to new opportunities and ready to confront new challenges brought about by change.

This Charter is 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, the requirements of Directors in carrying out their role and in discharging their duties towards the company as well as the Board’s operating practices.

This Charter does not overrule or pre-empt the statutory requirements of Directors as enshrined in the Companies Act, 2016, the Income Tax Act 1967 and other relevant statutes, including the conduct of the Board as stipulated in the Constitution which is the Constitution of the Company. To the extent of any conflict between the terms of this Charter and a Constitution, that Constitution prevails.

## **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.

“CEO” means Chief Executive Officer of the Company and Deputy Chief Executive Officer and shall be inter-changeable with the term MD / Deputy MD.

“Group CEO” means the CEO or Deputy CEO of the Group and shall be inter-changeable with the term Group MD / Deputy Group MD.

“Executive Director” means a Director who is also a paid employee of the Company and is involved in the day-to-day management of the Company. Executive Director will include MD and CEO.

“Group Executive Director” means a Director who is a paid employee of the Group and is involved in the day-to-day management of the Group. Group Executive Director will include Group MD and Group CEO.

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

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

“Management” mean the management personnel of the Company.

“MD” means the Managing Director or Deputy Managing Director of the Company and shall be inter-changeable with the term CEO / Deputy CEO.

“Group MD” means the Group MD or Group Deputy MD of the Group and shall be inter-changeable with the term Group CEO / Group Deputy CEO.

“Shareholders” mean the shareholders of the Company.

## **3. Objectives of the Board**

The Board is accountable to Shareholders and is responsible for the stewardship of the Group’s Business and affairs on behalf of the Shareholders. 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 and maintaining high standards of transparency, accountability and integrity.

Additionally, often, 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.** The Board's role is to provide leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed.

**4.2.** The Board has delegated certain responsibilities to committees which operate in accordance with Charter approved by the Board and delegated the day to day Management of the Business of the Group to Management, executive officer and MD subject to an agreed authority limit.

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, authority levels, treasury policies, 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 responsibilities of the Board including those adopted from the Code are:

- reviewing and adopting a strategic plan for the Group to ensure sustainability of its business and Group operations;
- overseeing the conduct of the Group's Business to evaluate whether the Business is being properly managed notwithstanding that some of the subsidiaries have separate Board of Directors;
- identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Board members and senior management;
- developing and implementing an investor relations programme or shareholder communications policy for the Group;
- reviewing the adequacy and the integrity of the Group's risk management, internal control systems and management information systems, including systems / reporting framework for compliance with applicable laws, regulations, rules, directives and guidelines;
- determining the remuneration of non-executive Directors, with the individuals concerned abstaining from discussions of their own remuneration;

- ensuring that the Company's financial statements are true and fair and other conform with the laws; 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, divisional strategic/performance reviews reports and risk management reports.
- 4.5. Appendix A** sets out the details of matters reserved for the Board in carrying its roles and responsibilities.

## **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 variety of perspective 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.

It is also important for the Board to keep its size at a reasonable level (notwithstanding the fact that the Company's Constitution allows a minimum of two (2) and a maximum of twelve (12) Directors). Boards that are too small or too large may significantly limit the level of individual participation, involvement and effectiveness. The Board shall from time to time examine its size with a view to determine the impact of its number upon its effectiveness.

- 5.1.2.** The appointment of a new member to the Board (as well as for those who retire and offer themselves for re-appointment or re-election) is only made after consultation with the Nominating Committee and it is of importance to the Board that to ensure high levels of professional skills and appropriate personal qualities (relevant skills, experience, expertise and time commitment) are pre-requisites for such nominee.

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

- 5.1.3. 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 Management. The Board decision making process should be of independence and objectivity. If the Chairman is an independent Director, at least two (2) or one-third (1/3), whichever is higher, of the Board shall comprise of independent Directors. If the Chairman is not an independent Director, the Board shall comprise a majority (more than half) of Independent Directors. Independent Director shall have the meaning as defined in the Main Market Listing Requirements of Bursa Securities.
- 5.1.4. The Board recognises the need for the composition to reflect a range of skill mix and expertise. High levels of professional skills and appropriate personal qualities are pre-requisite for directorships. Without limiting the generality of the foregoing, the qualifications for Board membership are the ability to make informed business decisions and recommendations, an entrepreneurial talent for contributing to the creation of shareholder value, relevant experience, the ability to appreciate the wider picture, ability to ask probing operational related questions, high ethical standards, sound practical sense, and total commitment to furthering the interests of shareholders and the achievement of the Company's goals.
- 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 attained at the highest levels of Business and commerce generally, and who are able to bring to the Board a board range of general commercial expertise and experience.
- 5.1.6. 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 Group MD/CEO separate.
- 5.1.7. The Board is mindful of the recommendation for Board diversity and, under this circumstance, the Nominating Committee shall ensure that women candidates are sought during its recruitment exercise and consider gender diversity in its recommendation to the Board.

The Board is of the opinion that there is no need for a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. Evaluation of suitability of any candidate is based on the criteria as stipulated in 5.1.2 to ensure that the candidate bring value and expertise to the Board.

## **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:

- (a) leading the Board in the oversight of management;
- (b) acting representative of the Board;
- (c) representing the Board to shareholders and chairing general meeting of shareholders;
- (d) ensuring the adequacy and integrity of the governance process and issues;
- (e) maintaining regular dialogue with the Group MD/CEO over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern to optimise the effectiveness of the Board and its Committees;
- (f) functioning as a facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussions takes place and that relevant opinions among members is forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes;
- (g) ensuring that all Directors are enabled and encouraged to participate in its activities. This includes ensuring that all relevant issues are on the agenda and that all Directors receive timely, relevant information tailored to their needs and that they are properly briefed on issues arising at Board meetings;
- (h) ensuring that executive Directors look beyond their executive function and accept their full share of responsibilities of governance and provide regular updates on all issues pertinent to the welfare and future of the Group to the Board;
- (i) guiding and mediating Board actions with respect to organisational priorities and governance concerns;
- (j) undertaking the primary responsibility for organising information necessary for the Board to deal with items on the agenda and for providing this information to Directors on a timely basis; and
- (k) performing other responsibilities assigned by the Board from time to time.

5.2.2. The Chairman may delegate specific duties to the Executive Directors, Board members and / or Committees as appropriate.



### 5.3. Role of the Group MD / CEO

- 5.3.1. The position of the Group MD/CEO, in essence, is to ensure the effective implementation of the Group's Business Plan (including strategic 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 Group MD/CEO, in association with the Chairman, is accountable to the Board for the achievement of the Group's mission, goals and objectives and the Group MD/CEO is accountable to the Board for the observance of management limitations.
- 5.3.3. The Group MD/CEO shall be the chief spokesperson for the Group.
- 5.3.4. At each of its scheduled meetings, the Board should expect to receive from or through the Group MD/CEO:
  - (a) summary reports on the performance and the activities from the Company's subsidiaries and specific proposals for capital expenditure and acquisitions and disposals in accordance with the Discretionary Authority Limits as set out under **Appendix B**; and
  - (b) such assurances as the Board considers necessary to confirm that the management limitations are being observed.
- 5.3.5. The MD/CEO is expected to act within all specific authorities delegated to him or her by the Board. The delegation is subject to and limited by, the terms of this charter including matters reserved for decision by the Board in accordance with Section 6.8 and any specific limitations on authority imposed by the Board from time to time.
- 5.3.6. The responsibility of the MD/CEO should be stated in an agreed job description and generally, the MD/CEO is responsible to the Board for the following:
  - (a) 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 against and the analysis of management reports;
  - (b) 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;
  - (c) directing and controlling all aspects of the business operations in a cost effective manner;
  - (d) effectively oversee the human resources of the Group with respect to key positions in the Group's hierarchy, makes recommendations to the Board for recruitment of senior management staff, determination of remuneration as well as terms and conditions of employment for senior management and issues pertaining to discipline;

- (e) 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;
- (f) assures the Group's corporate identity, products and services are of high standards and are reflective of the market environment;
- (g) be the official spokesman for the Company and responsible for regulatory, governmental and business relationships;
- (h) ensures compliance with governmental procedures and regulations;
- (i) 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/ Financial Controller and the Regional Office or Head Office;
- (j) maintains and facilitates a positive working environment and good employee relations;
- (k) assists in the selection and evaluation of Board members through the Nominating and Remuneration Committees; and
- (l) 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.

In discharging the above responsibilities, the Group MD can delegate appropriate functions to the Executive Director, who shall report to the Group MD.

#### **5.4. Role of the Non-Executive Directors("NED")**

5.4.1. The roles of the NEDs primarily covers the monitoring of the Group performance and contributing to the development of Group strategies as outlined below:

- (a) Strategy: provide constructive commentaries and contribute to the development of Group strategies;
- (b) Performance: oversee the performance of Management in meeting pre-set objectives and targets and monitor the reporting of performance.

5.4.2. NEDs could act as a link between Management, Shareholders and other stakeholders. They should provide the relevant checks and balances and ensuring that high standards of corporate governance are applied whilst taking into consideration the interests of the Shareholders and other stakeholders.

## **5.5. Tenure of Directors**

- 5.5.1. Pursuant to the Company's Constitution, all Directors must retire once at least every three (3) years but shall be eligible for re- election
- 5.5.2. There is a maximum age of 70 years for Directors. However, a Director who has attained the age of 70 years may be re-appointed as a Director until the next Annual General Meeting provided that the resolution must be passed by a majority of not less than three quarters (3/4) of such members of the Company present and voting who, being entitled to do so, vote in person or by proxy at the General Meeting of the Company.
- 5.5.3. The tenure of an Independent Director should not exceed a cumulative term of nine years. The nine years can either be a consecutive service of nine years or a cumulative service of nine years with intervals. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a non-independent Director. However, the shareholders may, in exceptional cases where the Board is of the opinion that that the Independent Director can continue beyond the 9-year tenure and subject to the assessment of the Nominating Committee, decide that an Independent Director can remain as an Independent Director after serving a cumulative term of nine years. The justification may be determined in the form of greater rigor and transparency in the evaluation process which accompanies any recommendation for renewal of a Director's appointment / election at the general meeting.
- 5.5.4. The tenure of the Executive Directors is tied to their executive office.

## **5.6. Company Secretary**

- 5.6.1. 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 and capable of carrying out the duties required of the post.
- 5.6.2. 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.
- 5.6.3. Other primary responsibilities of the Company Secretary shall include:
  - (a) preparing agendas and coordinating the preparation of the Board papers;
  - (b) ensure that Board procedures and applicable rules are observed;
  - (c) maintaining records of the Board and ensure effective Management of organisation's records;

- (d) preparing comprehensive minutes to document Board proceedings and ensure conclusions are accurately recorded;
- (e) timely dissemination of information relevant to Directors' roles and functions and keeping them updated on new or evolving regulatory requirements;
- (f) assisting the communications between the Board and Management; and
- (g) providing full access and services to the Board and carrying out other functions deemed appropriate by the Board from time to time.

## **5.7. Board Committees**

- 5.7.1. 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.
- 5.7.2. Where a Committee is formed, specific terms of reference of the committee would be established to serve as a guidance note which covers matters such as the purpose, composition and functions of the committee.
- 5.7.3. Members of the Committees are expected to participate actively at meetings and be knowledgeable about purpose, process and goal of the said Committees.
- 5.7.4. The following standing committees with written terms of reference has been established:

- a) **Audit Committee ("AC")**

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

The AC is also responsible for reviewing and recommending risk management policies and strategies for the Group and thus, assists the Board in fulfilling its oversight responsibility on risk management.

The terms of reference of the AC is attached under **Appendix C**.

**b) Nominating Committee**

The Nominating Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, 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.

The terms of reference of the Nominating Committee is attached under **Appendix D**.

**c) Remuneration Committee**

The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Executive Directors and Non-Executive Directors in all its forms, drawing from outside advice if necessary.

The terms of reference of the Remuneration Committee is attached under **Appendix E**.

**d) Risk Management Committee**

The Risk Management Committee is primarily responsible to outline the Group's risk context which comprises Group's philosophies, strategies and policies and operating system so as to better manage the business risks faced by the Group. It provides assurance to the Board that a sound risk management and internal control system is in place and in accordance with the requirements of regulatory bodies. The terms of reference of the Risk Management Committee is attached under **Appendix F**.

5.7.5. The Chairman the Board shall not be the member of the Audit Committee, Remuneration Committee and Nominating Committee.

## **5.8. The Board's Relationship with Shareholders and Stakeholders**

5.8.1. 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.

5.8.2. It is the responsibility of the Board to ensure that the Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM") of the Company are conducted in an efficient manner and serves as a crucial mechanism in shareholder communications. Key ingredients behind this include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the general meetings. The Board will focus its efforts to abide by the following best practices to enhance the effectiveness

of the general meetings:

- (a) ensure that each item of special business included in the notice to be accompanied by a full explanation of the effects of the proposed resolution;
  - (b) for re-election of Directors, ensures that the notice of meeting state which Directors are standing for election or re-election with a brief description to include matters such as age, relevant experience, list of directorships, date of appointment to the Board, details of participation in board committee and the fact that a particular Director is independent;
  - (c) ensure that the Chairman notifies the Shareholders, at the onset of the general meetings, of their right to demand poll vote;
  - (d) ensure that all resolutions in relation to related party transactions are considered by poll and to announce the detailed results of the votes cast for and against in each instance;
  - (e) ensure that the Chairman provides reasonable time for discussion at the meeting. Where appropriate and if required, the Chairman will also undertake to provide written answer to any significant question which cannot be answered immediately; and
  - (f) conduct a business presentation with a question and answer session, where appropriate and if required.
- 5.8.3. The Chairman and or Group MD/CEO shall take responsibility for addressing queries from Shareholders, stakeholders and analysts. In the performance of this responsibility, the Chairman and or MD/CEO shall be mindful of the regulatory requirements pertaining to price sensitive information.
- 5.8.4. **Appendix G** which contained The Corporate Disclosure Policy provides detailed guidance on communication with Shareholders and other stakeholders.

## 6. Board Processes

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

### 6.1. Frequency

- 6.1.1. The Board should meet regularly, at least on a quarterly basis. Special Board meetings should be held in addition to the quarterly meetings as and when required. Prior notice of meetings will be given to all who are required to attend the meetings.

- 6.1.2. Board members are required to attend the Board meetings and attendance of each individual Director in the meetings held in a financial year is required to be disclosed in the Annual Report. Other senior officers / Management who can provide additional insight into matters under discussion or appear to persons with potential who should be given exposure to the Board may be invited to attend for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.
- 6.1.3. Additional formal Business is dealt with as required, whether by physical, videoconferencing or telephonic meetings, as well other electronic meetings defined in the Articles of Association of the Company. All notices, resolutions, attendance, transactions, quorums and votes obtained through electronic means shall be deemed valid and effective unless it contravenes the requirements of relevant statutes and regulations.
- 6.1.4. All meetings of the Board will be conducted in accordance with the Constitutions of the Company and applicable laws.
- 6.1.5. The Chairman of the Board, or in his absence, a Director from amongst Board members present shall be appointed to preside at all meetings.
- 6.1.6. The quorum for Board meetings is two (2) members present in person.
- 6.1.7. All Board decisions shall be made through consensus. In the event consensus could not be reached, it shall be decided by a majority of votes and in the event of equality of votes, the Chairman shall have a second or casting vote in accordance with the Company's Constitution
- 6.1.8. Any issues which arise between meetings can be resolved through circular resolutions subsequent to the Board being apprised of the issues. These circular resolutions shall be valid and effective if approved by majority Directors in any written form – letter, telex, facsimile or telegram. Such discussion, including any concerns raised and the rationale for the decision shall be tabled at the following Board meeting for formal record keeping.

## **6.2. Agenda**

- 6.2.1. The notice of a Directors' meeting should be given in writing at least seven (7) days prior to all Board meetings except for cases of emergencies. Notices may be sent through any means of telecommunication in permanent written form as prescribed in the Company's Constitution.



- 6.2.2. A well prepared board agenda will enhance the Board's productivity and strengthen its strategic and supervisory role. The Chairman, in conjunction with the executive Director and the Company Secretary, shall undertake the primary responsibility for preparing the Board's agenda. The agenda shall include, amongst others, matters specifically reserved for the Board's decision. Due consideration should be given to items for inclusion, sequence of items, estimated time required for each item as well as the necessary board papers needed be provided to the Board including items to be sent in advance. In the case of sensitive and confidential information, these board papers may be circulated just prior to the Board meeting . The Board shall record its deliberation, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities.
- 6.2.3. At least one regularly scheduled Board meeting per year shall be substantially focused on review, discussion and approval of corporate strategies. All significant corporate strategies shall be reviewed and approved by the Board.

### **6.3. Meeting Papers**

- 6.3.1. As a matter of best practice and to allow ample time for Directors to consider the relevant information, Board papers and agenda items are to be circulated at least seven (7) days prior to the meeting or a shorter period when unavoidable. It is recommended that where there is a need to table a report, a brief listing of findings and/or recommendations is prepared.
- 6.3.2. The minutes of Board meetings shall be prepared within fourteen (14) days following a Board meeting and shall be circulated in draft form. The draft minutes shall be re-circulated together with the Board papers at the following Board meeting in readiness for approval. The practice is for minutes to record processes and decisions rather than a historical narrative of the discussion. If one or more Directors request their opinion to be noted, the Company Secretary shall comply with the request.

### **6.4. Access to Information and Independent Professional Advice**

- 6.4.1. All Directors (executive and non-executive) have the same right of access to all information within the Group whether as a full Board or in their individual capacity, in furtherance of their duties and responsibilities as Directors of the Company.
- 6.4.2. Non-executive Board members are expected to notify, via email or call, the Executive Directors and or the Company Secretary before contacting any members of the Senior Management on any matters.
- 6.4.3. A record of submissions, papers and materials presented to the Board, is maintained and held by the Company Secretary together with minutes of meetings, and is accessible to Directors.

- 6.4.4. All Directors should have access to the advice and services of the Company Secretary. The Board should recognise that the Chairman is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board.
- 6.4.5. 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 provided that such Director shall justify his action and obtain written approval from the Board.
- 6.4.6. Subject to prior approval of the Chairman, the cost of the advice will be reimbursed by the Company but the Director will ensure, so far as is practicable, that the cost is reasonable.

## **6.5. Induction Process**

- 6.5.1. The objective of the induction process is to provide Directors with a rapid and clear insight into the Group as well as keeping them abreast 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.
- 6.5.2. Induction of Directors may include, but not limited to, the following:
- time with other Directors, in particular the Chairman, the Company Secretary and, if the Independent Director is a functional specialist, his or her counterpart;
  - furnishing of a copy of the previous board minutes for at least the past six (6) months; the Business/strategic plan, pertinent Management reports; and significant reports by Management consultants on areas of board responsibilities;
  - visits to key sites (including overseas locations, if the Business is strongly international); and
  - a formal 1 to 2 days induction programme, including the elements above.

## **6.6. Directors' External Commitments and Conflict of Interest**

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

- 6.6.2. Should there be an actual, potential or perceived conflict of interest between the Company or a related corporation and a Director, or an associate of a Director such as a spouse or other family members, or a related company, the Director involved shall make full disclosure and act honestly in the best interest of the Company.
- 6.6.3. An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual Director from the Board provided that full disclosure of the interest has been made in good faith and with due honesty.
- 6.6.4. The Company Secretary shall aid the annual independence and conflict of interest self declaration by the Directors.
- 6.6.5. The Company shall ensure that its Board members have the character, integrity, experience, competence and time to effectively discharge their roles.
- 6.6.6. The Board members shall ensure that they dedicate sufficient time to carry out their roles and responsibilities. Each Director shall provide such a commitment at the point of appointment. Each Director is also required to commit to attend at least 50% of the Board meetings held annually.
- 6.6.7. A Director of the Group or Company shall hold not more than five (5) directorships in public companies listed on the Bursa Securities. Prior to accepting any new appointment, Directors shall notify the Chairman in writing and this shall include an indication of time that will be spent on the new appointment.

## **7. Representation of the Company**

- 7.1 The Board looks to the Group MD/CEO, working together with the Chairman, to speak on behalf of the Group and to manage the communication of information to investors, other stakeholders and the public in an orderly and effective manner while adhering, at all times, to relevant laws and regulatory requirements with reference to the Company's Corporate Disclosure & Communication Policy.
- 7.2 Non-Executive Directors to as far an extent as possible, should avoid commenting on the Company to external audiences. This is to avoid confusion and to ensure that the Board speaks in one voice.
- 7.3 The Group shall use information technology in its communication with Shareholders and other stakeholders. The usage shall include a dedicated section for Corporate Governance under the Investor Relations heading on the Group's corporate website. This dedicated section shall provide updated information such as quarterly financial statements, Board Charter and Annual Report, amongst others.

## 8. Remuneration of the Directors

- 8.1 The Executive Directors shall receive remuneration that is recommended by the Remuneration Committee.
- 8.2 The NEDs will be paid a basic fee for their role as Directors of the Company subject to shareholders' approval at general meetings. In addition, they will also receive fees for attendance at meetings and for the responsibilities undertaken on Committees.
- 8.3 The remuneration for all Directors shall be approved by the Board with the Directors concerned abstaining from participating in the discussion of his individual remuneration. Remuneration payable shall be in line with the Directors' Remuneration Policy as set out under **Appendix H**.

## 9. The Company's Constitution and Management's limits

- 9.1 The Board operates pursuant to the powers and is subject to rules in the Memorandum and Constitution of the Company as adopted by shareholders in general meeting.
- 9.2 The Management is expected to act within all specific authorities delegated to it by the Board as outlined under **Appendix B** for Discretionary Authority Limits. Nevertheless, the Board is still charged with the responsibility for the exercise of such power by the delegate as if such power had been exercised by the Directors themselves. This responsibility can be negated only when:
- (a) the Board believed on reasonable grounds that the delegate would exercise the delegated powers in conformity with the Companies Act, 2016 and the Memorandum and Constitution of the Company; and
  - (b) the Board believed on reasonable grounds, in good faith and after making a proper inquiry that the delegate (where necessary) was reliable and competent in relation to the powers delegated.
- 9.3 The Management is expected to act within all specific authorities delegated to it by the Board as outlined under **Appendix B** for Discretionary Authority Limits. The Management is expected not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics.

## 10. Revisions to the Board Charter

- 10.1 The Board Charter shall be reviewed by the Board as when necessary to ensure its relevance in aiding the Board to discharge its duties and responsibilities vis a vis the changes in corporate laws and regulations that may arise from time to time.

## **Introduction**

The primary responsibility of the Board of Directors (the “Board”) is to foster the long-term success of the Group consistent with the Board’s responsibility to maximize shareholder value. To the extent that power given under the relevant acts, rules and regulations and authorities, the Board has plenary power. For expediency and effectiveness, the Board shall delegate certain of its duties to the Board Committees as set forth in their respective Terms of Reference, as amended from time to time.

This list of detailed responsibilities of the Board is prepared to assist the Board and Management in clarifying responsibilities and ensuring effective communication between the Board and Management in line with the recommendation of the Malaysian Code on Corporate Governance. Any responsibility not delegated to Management or a Committee of the Board remains with the Board.

### **1. Reviewing and adopting strategic plan for the company**

Via the Executive Directors / the Board as a whole:

- Participate with Executive Directors and/or Senior Management, in the development of, and ultimately approve, the Group’s long term strategic plan which is premised on sustainability and strategic direction of the business;
- Approve the annual business plan that enables the Group to realize its objectives;
- Approve annual capital and operating budgets which support the Group ability to meet its strategic objectives;
- Monitor the Group’s progress towards its goals, and to revise and alter its direction through Management in light of changing circumstances.
- Approval of acquisitions and disposals, investments and divestitures;
- Approve proposed corporate exercise (i.e. mergers, restructuring and takeovers), ascertain that assets are appropriately valued, and that the Company’s shares are fairly valued by the market, to reduce susceptibility to takeover;
- Approve and ratify capital expenditure exceeding a certain threshold to be determined by the Board from time to time; (Refer to **Appendix C** for discretionary authority limits);
- Conduct regular analyses of trading activity in the Company’s shares, and identify areas of concern;
- Evaluate and approve corporate strategy, including, but not limited to:

- Y diversification, including managing the scope and mix of various activities to improve performance;
- Y coordination of business segments; and
- Y investment priorities and the allocation of resources across activities.

## **2. Overseeing the conduct of the Company's business**

Via the Management or the Board, as a whole:

### **2.1 Operations**

- Review outstanding major action items from previous meetings;
- Discuss emerging issues that may affect the business of the Group. Some of these issues are:
  - Y adverse economic and industrial trend;
  - Y competitors' actions;
  - Y adverse publicity/rumours concerning the Company and/or its subsidiaries;
  - Y changes to statutory requirements in the industry/business that the Group operates in;
  - Y fluctuation in major raw materials prices and supply of materials;
  - Y fluctuation in interest rates (affecting finance cost); and
  - Y labour issues;
- Receive reports from the Executive Directors on operational and performance-related matters and strategic issues; and
- Receive, at least annually, reports from Management on matters relating to, among others, ethical conduct, environmental management, employee health and safety and related party transactions.

### **2.2 Finance**

- Review divisional performance and Group results, actual against budgets and requiring Senior Management to justify and account for significant variances;
- Review operations of the previous month, year-to-date, and forecast covering the remainder of the relevant accounting period;
- Deliberate financing arrangements, cheque and other signatories, including the changes thereof;
- Review and approve financial statements of the Company and Group for lodgement with the various authorities;

- Approve the annual financial statements, review quarterly financial results and approve release thereof by Management;
- Propose and declare dividends;
- Approve financing arrangements, changes in authorized capital, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial papers, and related prospectuses and trust indentures;
- Recommend appointment of external auditor and approve auditor's fees;
- Approve banking resolutions and significant changes in banking relationships;
- Approve appointments, or material changes in relationships with advisor of any corporate exercise;
- Review coverage, deductibles and key issues regarding corporate insurance policies;
- Approve contracts, leases and other arrangements or commitments that may have a material impact on the Group; and
- Approve the commencement or settlement of litigation that may have a material impact on the Group;
- Review the Group's funding requirements, including significant treasury matters, on a continuing basis; and
- Determine that any exchange risk, credit risk and interest rate risk associated with any funding or placements are acceptable.

**3. Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

Via the Audit & Risk Management Committee or the Board, as a whole:

- Identify the principal risks of the Group's business and implement appropriate systems to manage these risks;
- Review and communicate to the Board, key risks faced by the Group (present and potential) and management action plans to manage the risks;
- Review operating and financial performance relative to budgets or objectives;
- Assess and monitor management control systems;
- Monitor risk exposure of the Group; and
- Review periodical reports from Management/ Internal Audit on progress of mitigation plans for key risks identified

#### **4. Succession planning**

Via the Management or Nominating Committee or the Board, as a whole:

- The appointment, training as well as succession planning of the Board and Senior Management, and monitoring performance, approving compensation and providing advice and counsel to the Executive Directors in the execution of their duties;
- Approving service agreement for the Executive Directors;
- Reviewing Executive Directors' performance at least annually against agreed upon written objectives;
- Appoint, training, fixing compensation of and, where appropriate, replacing Senior Management;
- Acceptance of outside directorships on public companies by executive officers (other than not-for-profit organizations); and
- Consider approving the appointment, resignation/termination of Director, Company Secretary and auditors;
- Consider recommendation and approval of Directors to fill the seats on Board Committees;
- Review and assess annually:
  - Y the required mix of skills and experience of the Board, including the core competencies, which Non-Executive Directors should bring to the Board; and
  - Y the effectiveness of the Board, as a whole, the Committees of the Board and the contribution of each individual Director.
- Review and approve the recommendations from Remuneration Committee, remuneration packages of Executive Directors and recommend fees and emoluments of Non-Executive Directors for shareholders' approval at Annual General Meeting.

#### **5. Overseeing development and implementation of a shareholder communications policy**

Via the Chairman or Executive Directors or the Board, as a whole:

- Ensure the Group has in place effective communication processes with shareholders, other stakeholders and financial, regulatory and other recipients;
- Interact with shareholders on all items requiring shareholder approval;



- Ensure that the financial performance of the Group is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- Ensure the financial results are reported fairly and in accordance with applicable approved accounting standards in Malaysia;
- Ensure the timely reporting of any other developments that may have a material impact on the Group;
- Report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report), including the Corporate Governance Statement, the Statement on Internal Control and other disclosures required by statutes and the Listing Requirements of Bursa Malaysia Securities Berhad; and
- Approve the announcements made to Bursa Malaysia Securities Berhad pursuant to the Listing Requirements.

**6. Reviewing the adequacy and integrity of the management information and internal control system of the Company**

Via the Audit & Risk Management Committee or the Board, as a whole:

**6.1 Legal Obligations/ Policies and Procedures**

- Review compliance with all significant policies and procedures by which the Group operates;
- Direct Management to ensure the Group operates at all times within applicable laws and regulations;
- Review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment).
- Directing Management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained;
- Approving changes in the Memorandum and Constitution of the Company, matters requiring shareholder approval, and agenda for shareholder meetings; and
- Approving the Company's legal structure, name, logo, mission statement and vision statement; and
- Ensuring the Company and its subsidiaries adhere to high standards of ethics and corporate behavior.

## **6.2 Reporting controls**

- Internally review management information systems to ensure that both Board and Management are receiving relevant and reliable information;
- Externally, review existing accounting policies against the appropriate standards, and review the questionnaire completed by Management to ensure that the published financial statements are true and fairly stated; and
- Approve regulatory reporting, i.e. quarterly and other announcements, to authorities.

## **6.3 Internal and External Audit**

- Review regulations affecting the Group's operations;
- Develop and review systems for monitoring regulatory compliance;
- Review compliance reports prepared by internal audit;
- Review the scope and depth of coverage of the internal audit function;
- Review and discuss reports from the internal auditors and external auditors on internal control recommendations, and confirm that appropriate action has been taken;
- Ensure that there is effective communication and liaison between the internal and external audit functions;
- Review the draft letter of representation requested by the external auditors, and confirm that the representations have been considered;
- Ensure that issues raised by the External Auditors have been satisfactorily resolved; and

## **7. Other Matters**

Any other pertinent matters that may be decided upon by the Board from time to time.

**DISCRETIONARY AUTHORITY LIMITS**

Operating and capital expenditures are controlled by annual budgets approved by the Board. These budgets set the general level of expenditure, but leave large numbers of individual expenditure decisions which have to be authorised during the year at appropriate levels. Discretionary limit for approving capital expenditure items and transactions shall be established as follows:

No.	Description	Limit (RM)	Approval level
1.	Investment of capital nature where acquisition not in the ordinary course of business	Below 500K	Group CEO/MD
		500K & above	Risk Management Committee & BOD
2.	Ordinary capital expenditure required in the course of business not budgeted previously	500K	Group CEO/MD
		500K & above	Risk Management Committee & BOD
3.	Investment of surplus cash assets	500K	Group CEO/MD
		500K & above	Risk Management Committee & BOD

1. Expenditures requiring approval of the Executive Director and/or the Board shall be accompanied by appropriate supporting business and financial data to support its viability and facilitate consideration of the Executive Director and/or the Board members.
2. For capital expenditure items and investment approved on a block basis by the Board and Executive Director, approval shall be deemed to have been obtained when individual transactions are carried out on the condition that the cumulative amount transacted does not exceed the original approved limit.
3. Other than the capital expenditure and investment transactions, the Executive Directors shall be responsible to decide and review the appropriate discretionary authority limit for all types of operational transaction in the ordinary course of conducting business for their divisions.
4. The approval limit shall be reviewed and revised subject to the approval of the Board from time to time as appropriate. In addition, the Group is expected to comply with the Bursa Malaysia Listing requirements in relation to transactions which require shareholders' approval at General Meeting.

**TERMS OF REFERENCE: AUDIT COMMITTEE****1. Objectives**

The primary function of the Audit Committee ("AC" or "Committee") is to assist the Board in fulfilling the following oversight objectives on the Group's activities:

- Assess the Group's processes relating to its risks, governance and control environment;
- Oversee financial reporting;
- Evaluate the internal and external audit processes;
- Overseeing the risk management framework of the Group;
- Reviewing and recommending an appropriate risk management strategy so as to ensure that business risks are effectively addressed by the Group;
- Reviewing the adequacy and completeness of the Group's risk management process and recommending improvements where required.

**2. Composition of AC**

The Committee shall be appointed by the Board from among its members and shall consist of not less than three (3) members of whom a majority are independent and the members shall not:

- be Executive Directors of the company or any related corporations;
- comprise a spouse, parent, brother, sister, son or adopted son, daughter and adopted daughter of an Executive Director of the Company or any related corporations;
- comprise persons having a relationship which in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the function of the Audit and Risk Management Committee; or
- be former key audit partner unless observe a cooling-off period of at least three years.

At least one (1) member of the Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if he is not member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and:
  - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
  - he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967
- fulfills such other requirements prescribed or approved by the Exchange.

The Committee shall elect a Chairman from among its members who is an Independent Director. All the members should be financially literate. No alternate director should be appointed as a member of the Committee.

All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company and have not been removed from the Committee by the Board.

In the event that a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number is reduced below three (3) or resulting in the non-compliance of the listing requirement of the Exchange pertaining to composition of audit committee, the Board shall, within three (3) months of that event, fill the vacancy.

The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

### **3. Secretary to AC**

The Company Secretary shall be the secretary of the Committee or in her absence, another person authorised by the Chairman of the Committee. The Secretary of the Committee shall be responsible for drawing up the agenda in consultation with the Chairman of the AC.

### **4. Meetings**

The Committee shall meet at least four (4) times a year. The Chairman of the Committee will highlight any major issues and any items requiring resolution by the Board.

In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, the management of internal or external auditors to consider any matters within the scope and responsibilities of the Committee.

The Chairman of the AC should engage on a continuous basis with senior management, such as the Chairman of the Board, Group CEO/MD, Group Chief Financial Officer, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the company.

## **5. Reporting Procedures**

The agenda together with relevant explanatory papers and documents shall be circulated to the Committee members prior to each meeting. The Secretary shall be responsible for keeping the minutes of the meeting of the Committee, circulating them to all members of the Board.

## **6. Meeting Procedures**

The Committee shall regulate its own procedures, in particular:

- (a) the calling of meetings;
- (b) the notice to be given to such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

## **7. Quorum**

A quorum shall consist of 2 Committee members; however it must be made up of a majority of independent Directors.

## **8. Attendance by Invitation**

The Group MD/CEO and Group Chief Financial Officer, the Internal Auditors and the representative of the External Auditors should normally be invited to attend meetings. The Committee may invite any person to be in attendance to assist in its deliberations in any particular meeting. However, the Committee should meet with the External Auditors without Executive Board members and management present at least twice a year.

## **9. Rights of the External Auditors**

The External Auditors have the right to appear and be heard at any meeting of the Committee and their representative shall appear before the AC when required to do so by the Committee.

## **10. Authority of the AC**

The Audit Committee should:

- Have authority to investigate any activity within its terms of reference;
- Have the resources which are required to perform its duties;
- Have full and unrestricted access to all information, documents and officers of the Company and the Group for the purpose of discharging its functions and responsibilities;

- Have direct communications channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- Be able to obtain outside legal or other independent professional advice as it considers necessary at the expense of the Company; and
- Be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.

## **11. Duties and Responsibilities**

The duties and responsibilities of the Committee shall be:

- To review the Company's and the Group's quarterly results and annual financial statement before submission to the Board, focusing on:
  - Any changes in or implementation of accounting policies and practices;
  - Major judgment areas;
  - Significant adjustments proposed by the external auditors;
  - Going concern assumption;
  - Compliance with accounting standards;
  - Compliance with stock exchange and legal requirements; and
  - Significant and unusual events
- To review with the external auditors their audit plan, scope and nature of audit for the Company and the Group, their evaluation of the system of internal control, their audit report, their management letter and management's response and the assistance given by the Company's employees to the external auditors;
- To assess the adequacy and effectiveness of the system of internal control and accounting control procedures of the Company and the Group;
- To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- To perform the following, in relation to the internal audit function:
  - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - Review the internal audit programme and results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of internal audit function;

- Review the internal audit plan, consider the major findings of the internal audits, internal or fraud investigations and actions and steps taken by management in response to audit findings;
  - Review any appraisal or assessment of the performance of members of the internal audit function;
  - Approve any appointment or termination of senior staff members of the internal audit function; and
  - Take cognisance of resignations/transfer of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- To review any related parties transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions or management integrity;
  - To consider the appointment of the external auditors and to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment, to consider the nomination of a person or persons as external auditors and the audit fees, the terms of reference of their appointment, and any question of resignation or dismissal;
  - To verify the allocation of option granted pursuant to Employee Share Option Scheme;
  - To report to the Board its activities, significant results and findings;
  - To promptly report such matter to the Bursa Securities if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
  - To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts that cannot be entered into should include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation; and
  - To undertake any such responsibilities as may be agreed by the Committee and the Board.

## **12. Review**

The terms of reference will be subjected to review from time to time by the Committee and the Group MD/CEO, and any amendments are to be approved by the Board before becoming effective.



**TERMS OF REFERENCE: NOMINATING COMMITTEE****1. Objectives**

In accordance with the MCGG, the Nominating Committee (“NC” or “Committee”) is set up to recommend candidates to the Board. The final decision on the appointment of any of the Directors shall be made by the Board.

The Nominating Committee shall be responsible in ensuring the appropriate Board balance and size, and that the Board has a required mix of skills, experience and other core competencies. Based on the process and procedures laid out by the Board, the Nominating Committee shall annually carry out and ensure proper documentation of all assessments and evaluations on the effectiveness of the Board, the Board Committees and the contribution of each individual Director.

**2. Composition**

The Nominating Committee shall comprise wholly of Non-Executive Directors, the majority of whom are independent and shall be appointed by the Board. The Committee shall comprise no fewer than 2 members. The appointment of a Committee member shall automatically be terminated if the member ceases for any cause to be a director, or as determined by the Board.

The members of the Nominating Committee shall elect a Chairman from amongst any of its members who shall be an independent non-executive director. In the absence of the Chairman of the Committee, the members present shall elect one of their number who is independent to chair the meeting.

**3. Secretary to NC**

The Company Secretary shall be the Secretary of the Committee or in her absence, another person authorised by the Chairman of the Committee.

**4. Meetings**

The Nominating Committee shall meet at least once a year.

## **5. Reporting Procedures**

The Secretary shall be responsible for keeping the minutes of the meeting of the Committee and make it available to all members of the Board upon request. The Committee, through its Chairman, shall report to the Board at the next Board meeting after each Committee meeting.

## **6. Meeting Procedures**

The Committee shall regulate its own procedures, in particular:

- (a) the calling of meetings;
- (b) the notice to be given to such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

## **7. Quorum**

The quorum for any meetings shall be two members.

## **8. Attendance by Invitation**

Other Directors, key executives and employees may attend any particular meeting only at the Committee's invitation.

## **9. Authority of NC**

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- Have the resources which are required to perform its duties;
- Have full and unrestricted access to any information pertaining to the Company;
- Be able to obtain independent professional advice; and
- Be able to secure the attendance of external advisers and shall have the discretion to decide who else other than its own members to attend meetings, if it thinks fit.

## **10. Duties and responsibilities**

- To make recommendations to the Board with regard to any appointment of Directors considering their skills, knowledge, education, qualities, expertise and experience; professionalism; integrity, time commitment, contribution, Boardroom diversity including gender diversity and other factors that will best qualify a nominee to serve on the Board; and for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/ functions as expected;
- To consider, in making its recommendations, candidates for Directorships proposed by the Group MD/CEO and within the bounds of practicability, by any other senior executive or any other Director or shareholder;
- To assist the Board to review regularly the Board structure, size and composition and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board;
- To assess the effectiveness of the Board, any other committees of the Board and the contributions of each individual Director, including the independence of Independent Non-Executive Directors, as well as the Group CEO and Group Chief Financial Officer (where these positions are not Board members), based on the process and procedures laid out by the Board; and to provide the necessary feedback to directors in respect of their performance;
- To ensure proper documentation of all assessments and evaluations so carried out;
- To recommend to the Board, the Directors to fill the seats on any committees of the Board;
- To propose to the Board the responsibilities of non-executive directors, including membership and Chairmanship of Board Committees;
- To recommend to the Board for continuation or discontinuation in service of Directors as an Executive Director or Non-Executive Director;
- To recommend to the Board, Directors who are retiring by rotation to be put forward for re-election;
- To evaluate training needs for directors annually;
- To arrange induction programmes for newly appointed directors to familiarize themselves with the operations of the Luster Industries Bhd. Group through briefings by the relevant management teams;
- To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfil the Board's responsibilities; and
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

## **11. Review**

The terms of reference will be subjected to review from time to time by the Committee and any amendments are to be approved by the Board before becoming effective.

**1. Objectives**

In accordance with the MCCG, the Remuneration Committee (“RC” or “Committee”) is set up to provide recommendations to the Board on the remuneration of the Executive Directors of the Company and the Group in all its forms such that the component parts of remuneration are structured to link rewards to corporate and individual performance.

Executive Directors should play no part in decisions on their own remuneration while the remuneration of the Non-Executive Directors should be a matter for the Board as a whole to determine. The individuals concerned should abstain from discussion of and voting on their own remuneration.

**2. Composition**

The Remuneration Committee shall consist wholly or mainly of Non-Executive Directors and shall be appointed by the Board. The Committee shall comprise no fewer than 3 members. The appointment of a Committee member shall automatically be terminated if the member ceases for any cause to be a director, or as determined by the Board.

The members of the Remuneration Committee shall elect a Chairman from amongst its members who shall be a Non-Executive Director. In the absence of the Chairman of the Committee, the members present shall elect one of their number who shall be a non-executive to chair the meeting.

**3. Secretary to RC**

The Company Secretary shall be the Secretary of the Committee or in her absence, another person authorised by the Chairman of the Committee.

**4. Meetings**

The Nominating Committee shall meet at least once a year.

**5. Reporting Procedures**

The Secretary shall be responsible for keeping the minutes of the meeting of the Committee and make it available to all members of the Board upon request. The Committee, through its Chairman, shall report to the Board at the next Board meeting after each Committee meeting.

## **6. Meeting Procedures**

The Committee shall regulate its own procedures, in particular:

- (a) the calling of meetings;
- (b) the notice to be given to such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

## **7. Quorum**

The quorum for any meetings shall be two members.

## **8. Attendance by Invitation**

Other Directors, key executives and employees may attend any particular meeting only at the Committee's invitation.

## **9. Authority of RC**

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- Have the resources which are required to perform its duties;
- Have full and unrestricted access to any information pertaining to the Company;
- Be able to obtain independent professional advice; and
- Be able to secure the attendance of external advisers and shall have the discretion to decide who else other than its own members to attend meetings, if it thinks fit.

## **10. Duties and responsibilities**

- To determine and recommend to the Board the framework or board policy for the remuneration structure, in all forms, of the Executive Directors and/or any other persons as the Committee is designated to consider by the Board, drawing from outside advice as necessary;
- To review changes to the policy, as necessary;
- To determine and recommend to the Board any performance related pay schemes for the Executive Directors and/or any other persons as the Committee is designated to consider by the Board;

- To implement/ maintain a reward system for executive directors based on their performance against the Company's results. The following factors shall be taking into consideration in determining the quantum of remuneration:
  - Position and Scope of Work
  - Business strategy and long term objectives of the Company
  - Complexity of the Company's activities
  - Performance
  - Number of Years of Service
  - Experience
  - Salary based on Industries Standard
- To review and recommend the entire individual remuneration packages for each of the executive directors;
- To determine the policy for and scope of service agreements for the Executive Directors, termination payment and compensation commitments;
- Determination of remuneration packages of non-executive directors, including non-executive chairman should be a matter for the board as a whole. The individuals concerned should abstain from discussion of their own remuneration;
- To recommend to the Board the appointment of the services of such advisers or consultants as it deems necessary to fulfil its responsibilities; and
- To carry out such other functions as may be agreed to by the Committee and the Board of Directors;
- The Committee should ensure that the following disclosure requirements pertaining to Directors remuneration are being complied with:
  - Membership of the Remuneration Committee appears in the Annual Report;
  - Details of the remuneration of each Director are disclosed in the Annual Report in the name of the full Board.
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

## **11. Review**

The terms of reference will be subjected to review from time to time by the Committee and any amendments are to be approved by the Board before becoming effective.

<b>Luster Industries Bhd.</b> (156148-P)	<b>App F</b>
<b>TERMS OF REFERENCE: RISK MANAGEMENT COMMITTEE</b>	

## 1. Objectives

The primary function of the Risk Management Committee (“RMC”) is to assist the Board in fulfilling the following oversight objectives on the Group’s activities:

- Identify, coordinate, review and assess the Group’s business risk and processes of Luster Industries Berhad and all its subsidiaries and significant associates, including joint-ventures (the “Group”)
- Overseeing the risk management framework of the Group;
- Reviewing and recommending an appropriate risk management strategy so as to ensure that business and operational risks are effectively addressed by the Group;
- Reviewing the adequacy and completeness of the Group’s risk management process and recommending improvements where required.

## 2. Composition of RMC

The Committee shall be appointed by the Board from among its members and shall consist of the following:-

- Minimum Two (2) Independent Non-Executive Directors of the Board and
- Minimum Two (2) Executive Directors of the Board

Members of the RMC shall not comprise of persons having a relationship which in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the function of the RMC.

The Chairman of the RMC shall be an Independent Non-Executive Director. The

RMC shall identify and appoint from amongst the employees of the Group a person who will act as the Risk Officer, i.e. the liaison person to expedite the risk management process throughout the Group and to ensure employees throughout the Group are exposed consistently to the concept and practice of risk management.



The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

### **3. Secretary to AC**

The Company Secretary shall be the secretary of the Committee or in her absence, another person authorised by the Chairman of the Committee. The Secretary of the Committee shall be responsible for drawing up the agenda in consultation with the Chairman of the RMC.

### **4. Meetings**

The Committee shall meet at least two (2) times a year. The Chairman of the Committee will highlight any major issues and any items requiring resolution by the Board.

In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, the management of internal or external auditors to consider any matters within the scope and responsibilities of the Committee. The RMC is empowered by the Board to invite other personnel from the Group or external consultants for its meetings, where deemed appropriate, to assist the RMC in discharging its responsibilities.

The Chairman of the AC should engage on a continuous basis with senior management, such as the Chairman of the Board, Group CEO/MD, Group Chief Financial Officer, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the company.

### **5. Reporting Procedures**

The agenda together with relevant explanatory papers and documents shall be circulated to the Committee members prior to each meeting. The Secretary shall be responsible for keeping the minutes of the meeting of the Committee, circulating them to all members of the Board.

## **6. Meeting Procedures**

The Committee shall regulate its own procedures, in particular:

- (a) the calling of meetings;
- (b) the notice to be given to such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

## **7. Quorum**

A quorum shall consist of 2 Committee members.

## **8. Attendance by Invitation**

The Group MD/CEO and Group Chief Financial Officer and the Head of Internal Audit (where applicable) should normally be invited to attend meetings. The Committee may invite any person to be in attendance to assist in its deliberations in any particular meeting.

## **9. Authority of the RMC**

The RMC should:

- Have authority to investigate any activity within its terms of reference;
- Have the resources which are required to perform its duties;
- Have full and unrestricted access to all information, documents and officers of the Company and the Group for the purpose of discharging its functions and responsibilities; and
- Be able to obtain outside legal or other independent professional advice as it considers necessary at the expense of the Company.

## **10. Duties and Responsibilities**

The duties and responsibilities of the Committee shall be:

- To develop, implement and review the risk management framework, risk strategies, risk appetite and objectives of the Group;
- To monitor the management's risk management practices and procedures;
- To develop and maintain the risk management procedures and methodologies of the various departments;

- To review the adequacy and completeness of the Group's risk management process and recommend improvement where deemed necessary;
- To review the Group risk profile and risk management reports which include management's action plan and implementation status from the management;
- To report and monitor the risk management priorities and progress of risk mitigation plan, including oversight of reporting to the Board on an exception basis, where required, and routinely on matters of regular interest of the Board; and
- To undertake any such responsibilities as may be agreed by the Committee and the Board.

## **11. Review**

The terms of reference will be subjected to review from time to time by the Committee and the Group MD/CEO, and any amendments are to be approved by the Board before becoming effective.

## 1. Introduction

In formulating this policy, Luster Industries Bhd. (“Luster” or “LIB” or “the Company”) has taken into account the recommendations contained in the MCCG and its disclosure obligations contained in the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”).

## 2. IR Structure and Responsibility

The Company has established the following Investment Relations (“IR”) structure and responsibility for the implementation of IR programme and strategy:-

### Spokespersons:

Primary:	Group Managing Director/Chief Executive Officer (“Group MD/CEO”) *
Secondary:	Group CFO

Note:

The definition of Group MD/CEO for this policy includes that for Deputy Group MD/CEO.

The Group MD/CEO and Group CFO have been appointed to communicate with audience constituents and respond to questions in relation to the corporate vision, strategies, developments, future prospects, financial results and plans, operation matters, etc.

## 3. Mode of Disclosure

The Company makes use of a broad range of communication channels to disseminate information regarding the Company. These would include:

- 3.1 Electronic facilities provided by Bursa;
- 3.2 Press releases;
- 3.3 Corporate website;
- 3.4 Emails;
- 3.5 Road shows or events; and
- 3.6 Annual General Meetings / Extraordinary General Meetings

#### **4. IR Programme and Strategies**

The Company has the following programmes and strategies in place to bridge and enhance the relationship with investors or potential investors:-

##### **4.1 Announcement of Material Information and Press Release**

After the approval from the Board of Directors on releasing of material information, an announcement is made to the Bursa Exchange or a company press release will be issued to all major newspapers.

##### **4.2 Annual General Meeting or Extraordinary General Meeting and Press Conference**

The Annual General Meeting / Extraordinary General Meeting / Press Conference is held to communicate with the shareholders on the Company's performance, strategy, proposed corporate exercises, outlook, operational matters, etc.

##### **4.3 Annual and Quarterly Financial Reports**

The Annual Report and Quarterly financial reports are submitted to the Bursa Exchange and also available on the corporate website of the Company.

##### **4.4 Meetings or Interviews with Investors, Analysts and Media**

The spokespersons will meet the shareholders, analysts or media to update them on the Company's performance, strategy, development, etc.

##### **4.5 Participate in Investor Relations Web Portal**

The Company has established a company website including the creation of an IR web portal to reach out to current and potential investors.

#### **5. Reports and Rumours**

##### **5.1 Analysts' reports**

It is the Company's policy not to provide focused guidance to analysts in their efforts to develop their financial reports or earnings estimate of the Company. The Company will point out factual errors or assumptions which are inconsistent with previously announced information.

##### **5.2 Rumours**

It is the Company's policy not to respond or comment on market rumours and speculation, unless they appear to contain material information or misinformation, or may be reasonably expected to affect the price of the Company's securities or trading activity in those securities.

**6. Obtaining Feedback**

The Company has developed various channels for shareholders and major stakeholders include: customers, employees, financiers, shareholders and communities to provide their comments and feedback. The Company will consider the relevant comments and feedback received in establishing its corporate strategy.

**7. Periodic Review**

This policy shall be reviewed from time to time by the Board when deemed necessary.

**8. Contact Details**

Contact:	Primary	Group MD/CEO
	Secondary	Group CFO
T:	+604 441 7980	
F:	+604 442 8805	
E:	ir@luster.com.my	

**9. Effective Date**

This policy is dated 27 November 2013.

**DIRECTORS' REMUNERATION POLICY****1. Introduction**

This policy sets out the criteria to be used in recommending the remuneration package of Directors of Luster Industries Bhd ("Luster" or "LIB" or the "Company") and is in line with the best practice provisions of the MCGG.

**2. Objectives**

This policy is designed to:

- Determine the level of remuneration package of Executive Directors;
- Attract, develop and retain high performing and motivated Executive Directors with a competitive remuneration package;
- Provide a remuneration such that the Executive Directors are paid a remuneration commensurate with the responsibilities of their position; and
- Encourage of value creation for the Company and its Stakeholders.

**3. Remuneration Components****3.1. Fixed Remuneration for Executive Directors**

The fixed salary is determined according to:

- The scope of the duty and responsibilities;
- The conditions and experiences required;
- The ethical values, internal balances and strategic targets of the Group;
- The corporate and individual performance; and
- Current market rate within the industry and in comparable companies.

**3.2. Bonus**

The bonus in the case of Executives Directors is designed to reward outstanding performance.

The bonus is granted to reflect the Executive Directors performance as well as Group results. A discretionary assessment is made to ensure that all factors which include measurable and not directly measurable are considered.

### **3.3. Fixed Fee for Members of Board of Directors**

The fixed fee is determined according to:

- On par with the rest of the market;
- Reflect the qualifications and contribution required in view of the Group's complexity;
- The extent of the duty and responsibilities; and
- The number of Board meetings

### **3.4. Other Benefits and Allowances for Members of Board of Directors**

The benefits and allowances are determined by the Board per the Framework approved from time to time.

## **4. Periodic Review and Disclosure**

The Remuneration Committee should conduct a review on an annual basis of the criteria to be used in the recommending the remuneration package of Executive Directors. The Remuneration Committee should promptly communicate the new changes or amendments of the criteria to the Board and individual Executive Directors.

The Board should disclose this policy in the annual report.

## **5. Effective Date**

This policy is dated 27 November 2013.



**CODE OF CONDUCT****1. Introduction**

Luster Industries Bhd (“Luster” or “LIB” or “the Company”) has adopted the following Code of Conduct (the “Code”) for Directors, management and officers of the Company and its subsidiaries (“Luster Group” or “LIB Group” or “the Group”).

This Code is established to promote the corporate culture which engenders ethical conduct that permeates throughout the Company. All Directors, management and employees of the Group shall be referred to as “Officers” hereon.

**2. Purpose**

This Code is formulated with the intention of achieving the following aims:

- 2.1. To emphasize the Company’s commitment to ethics and compliance with the applicable laws and regulations;
- 2.2. To improve self-discipline in order to provide the Company with good and quality service; and
- 2.3. To enhance skills in the implementation of duties and to be able to adapt to the work environment.

**3. Code of Conduct**

In the performance of his or her duties, each Officer must comply with the letter and spirit of the following codes:

**3.1. Human Rights**

The Company supports and respects human rights. The Company treats officers with dignity and respect in the workplace, provides equal employment opportunities, creates a safe and harmonious work environment, and will not engage in any form of discrimination.

**3.2. Health And Safety**

The Company provides a work environment that is safe, secure and free of danger, harassment, intimidation, threats and violence. The Company takes appropriate precautions to prevent injuries or adverse working conditions for each and every officer.

### **3.3. Environment**

The Company conducts operations in a manner that safeguards health, protects the environment and conserves valuable materials. The Company is committed to protecting the environment by minimizing and mitigating environmental impacts throughout the life cycle of operations.

### **3.4. Gifts And Business Courtesies**

Officers must exercise caution in relation to offering or accepting gifts and business courtesies. Officers should only accept non-cash gifts in relation to cultural celebrations only. Any other gifts received by Officers shall be declared to Group Managing Director/Group Chief Executive Officer.

### **3.5. Company Records And Internal Controls**

The Company's records must be prepared accurately and honestly, both by accountants who prepare financial statements and by officers who contribute to the creation of business records. The Company takes obligation to maintain business records for operational, legal, financial, historical and other purposes seriously and takes appropriate steps to ensure that the content, context and structure of the records are reliable and authentic.

Reliable internal controls are critical for proper, complete and accurate accounting and financial reporting. Officers must understand the internal controls relevant to their positions and comply with the policies and procedures related to those controls to ensuring that effective and reliable business processes are in place.

### **3.6. Company Assets**

The Company's properties and assets should be managed and safeguarded in a manner which protects their values. Officers are accountable both for safeguarding all assets entrusted to them, including our information resources, records, materials, facilities and equipment under your care or control, from loss, theft, waste, misappropriation or infringement and for using the assets to advance the interests of the Company.

All officers have an affirmative duty to immediately report the theft, loss or misappropriation of any Company assets, including financial assets, physical assets, information assets and electronic assets to the management as stipulated under Violations of Code of Conduct below.

### **3.7. Exclusive Service**

The Company expects each and every officer to give their fullest attention, dedication and efforts to their duties and the Company. Officers must TRY to avoid any personal, financial or other interest which may be in conflict with their duties and responsibilities to the Company.

### **3.8. Integrity And Professionalism**

All officers should conduct themselves with the highest degree of integrity and professionalism in the workplace or any other location while on Company's business.

### **3.9. Personal Appearance**

An officer is expected to be suitably and neatly dressed so as to maintain an appropriate appearance that is business like, neat and clean, as determined by the requirements of the work area. Dress and appearance should not be offensive to customers or other officers.

### **3.10. Confidential Information**

All information obtained in the course of engagement and/or employment with the Company shall be deemed to be strictly confidential and shall not be disclosed to any third party. This measure applies to all officers both during and after the service with the Company.

### **3.11. Compliance Obligations**

Officers are responsible for knowing and complying with the requirements applicable to their work activities, including those described in Rules of Conduct and Disciplinary Procedure in the Employee Handbook and those described in the Company's guidance documents (Company's standards, policies and procedures and manuals).

## **4. Communication and Compliance**

The Company and the Board should ensure this Code is being communicated to all levels of officers through staff handbook, notice board, intranet, or corporate website. The Company should include the briefing of this Code to new officers in the induction programme.

The Board should ensure this Code permeates throughout the Company and is complied by all levels of officers.

## **5. Violations of Code of Conduct**

The Company's officer should report to supervisors, managers, HODs or Head of Human Resource about the known or suspected illegal or unethical behaviour. The Company's Executive Directors and senior management shall promptly report any known or suspected violations of this Code to the Chairman of the Audit Committee. All officers shall refer to and adhere to the Whistle Blower Policy.

## **6. Investigations**

The Company shall investigate reported concerns promptly and confidentially with the highest level of professionalism and transparency. All internal investigations and audits are conducted impartially and without predetermined conclusions. Each and every officer shall be expected to cooperate fully with audits, investigations and any corrective action plans, which may include areas for continued monitoring and assessment.

## **7. Periodic Review**

The Board and senior management of the Company will review the Code from time to time when deem necessary and communicate the new changes to all levels of officers.

## **8. Effective Date**

This Code is dated 27 November 2013.

**CODE OF ETHICS****1. Introduction**

Commitment to ethical professional conduct is expected of every Director of Luster Industries Bhd. ("Luster" or "the Company") and its subsidiaries (hereinafter referred to as the Group). This Code of Ethics, consisting of commitments formulated as statements of personal responsibilities, identifies the elements of such a commitment.

**2. Commitment**

- 2.1. The commitment to excellence is fundamental to the philosophy of the Company. This commitment to excellence means that every Director of the Group shares a common set of objectives and benefits from the achievement of those objectives.
- 2.2. Each Director is committed to the Company's core values of Commitment, Honesty, Respect, Teamwork, Creativity, and Responsibility which together provide a guide for achieving our business goals in an open, honest, ethical and principled manner.

**3. Principle**

This Code is based on the principles of sincerity, integrity, responsibility and corporate social responsibility.

**4. Code of Ethics**

In the performance of his or her duties, each Director must comply with the letter and spirit of the following codes:

- 4.1 To have a clear understanding of the aims and purpose, capabilities and capacity of the Company;
- 4.2 To devote time and effort to attend meetings and to know what is required of the board and each of its Directors, and to discharge those functions;
- 4.3 To ensure at all times that the Company is properly managed and effectively controlled;
- 4.4 To stay abreast of the affairs of the Company and be kept informed of the Company's compliance with the relevant legislation and contractual requirements;
- 4.5 To insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management;

- 4.6 To limit his Directorship of companies to a number in which he can best devote his time and effectiveness; each Director is his own judge of his abilities and how best to manage his time effectively in the Company in which he holds Directorship;
- 4.7 To have access to the advice and services of the Company Secretary, who is responsible to the board to ensure proper procedures, rules and regulations are complied with;
- 4.8 To at all times exercise his powers for the purposes they were conferred, for the benefit and best interest of the Company;
- 4.9 To disclose immediately all contractual interests whether directly or indirectly with the Company;
- 4.10 To neither divert to his own advantage any business opportunity that the Company is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;
- 4.11 To at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; and
- 4.12 To be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the Company is at stake.
- 4.13 Relationship with Shareholders, Employees, Creditors and Customers and other Stakeholders
  - (a) Should be conscious of the interest of shareholders, employees, creditors and customers of the Company;
  - (b) Should at all times promote professionalism and improve the competency of management and employees; and
  - (c) Should ensure adequate safety measures and provide proper protection to workers and employees at the workplace.

## **5. Compliance Standards**

- 5.1. To communicate any suspected violations of this Code promptly to the Senior Independent Director and complying with the Whistle Blower Policy; and
- 5.2. Violations will be investigated by the Board or by persons designated by the Board and appropriate action will be taken in the event of any violations of this Code.

## **6. Periodic Review**

This Code shall be reviewed from time to time by the Board when deemed necessary.

## **7. Effective Date**

This Code is dated 27 November 2013.

## **1. Introduction**

The Board regards risk management as an integral part of the Luster Industries Bhd. ("Luster" or "the Company") and its subsidiaries ("the Group") business operations and is committed to the development of an effective enterprise risk management framework.

The risk management policy is the starting point in the risk management initiative and has been prepared to ensure that risk management becomes a concern for everyone in the Group and that risk management practices are consistent throughout the Group, involving employees at all levels within the different business units (i.e. departments, sections, and business centres) of the Group.

## **2. Definition and Purpose**

The risk management policy establishes the scope, policies and processes that describe how risks are managed. It also defines clear roles and responsibilities of the individuals or units involved in the entire risk management processes.

The purpose of the risk management policy is to define an ongoing and consistent process for identifying, assessing, monitoring and reporting of significant risks faced by the business units and ultimately the Group.

## **3. Scope**

The primary goals of the Group's Risk Management Policy are to support the overall business objectives of the Group by:

- 3.1 Providing strategies, policies and organizational structure for the management risks that the Group assumes in its activities.
- 3.2 Defining risk management roles and responsibilities within the organization and outlining procedures to mitigate risks.
- 3.3 Ensuring consistent and acceptable management of risk throughout the business.
- 3.4 Defining a reporting framework to ensure the communication of necessary risk management information to senior management and personnel engaged in risk management activities.



#### **4. Risk Management Philosophy**

The Group will always act prudently to ensure that risks, which can prevent the Group from achieving its objectives, are adequately identified, assessed and effectively managed.

It is recognized that not all risks can be eradicated. Nevertheless, the Group is committed to the development of an adequate and effective enterprise risk management framework, which is capable of facilitating the identification, assessment and prioritization of all risks confronting the Group and development of effective measures to mitigate the risks. The Group is to continuously review the enterprise risk management framework to ensure it is operating as intended.

#### **5. Accountability, Roles and Responsibilities for Risk Management**

Roles and responsibilities for risk management within the Group are summarized below:

##### **5.1. Board of Directors**

The Board of Directors recognizes its responsibility for establishing a sound framework to manage risks and provides the risk oversight function, which includes:

- (i) approving the Group's risk philosophy / policy
- (ii) approving the Group's risk management framework as well as ensuring adequate resources and knowledge of management and staff involved in the risk management process;
- (iii) reviewing and approving the Group's risk portfolio and determining the Group's risk tolerance;
- (iv) assessing and monitoring key business risks to safeguard shareholders' investments and the Group's assets.

##### **5.2. Risk Management Committee ("RMC")**

The RMC, comprising two Independent Non-Executive Directors and four Executive Directors, assists the Board with the overall responsibility for overseeing the risk management activities of the Group and approving appropriate risk management procedures and measurement methodologies across the Group. The RMC is chaired by an Independent Non-Executive Director.

The RMC also assists the Board in establishing a sound framework to manage risks, which includes:

- (i) reviewing the Group's risk philosophy / policy;
- (ii) reviewing the extent to which management has established an effective enterprise risk management framework;
- (iii) reviewing the Group's risk management framework and assessing the resources and knowledge of management and staff involved in the risk management process;
- (iv) reviewing the Group's risk profile and risk tolerance;

The principal roles and functions of the RMC are summarized as follows:

- Developing and implementing the risk management philosophy / policy
- Developing and maintaining risk management procedures and measurement methodologies of the various departments
- Monitoring the progress of risk mitigation plans
- Reporting to the Board on the risk management framework and the Group's risk profile
- Creating risk awareness within the organization

### **5.3. Risk Owner**

Risk owners comprise heads of business units. They perform the operational risk assessment, management, monitoring and reporting risk exposures in their areas / activities within their control.

### **5.4. Staff**

Staff should be aware of operational risks, undertaking risks in a careful and conscientious manner that reflects – but no limited to – the Group policies. They are to report any new or escalating risks identified to the Risk Owners.

### **5.5. Internal Audit Function (“IAF”)**

The IAF, whether internally set-up or outsourced to a firm of professionals, conducts periodic reviews on high risk operational areas to ensure that appropriate internal control systems are in place to manage such risks.

## **6. Periodic Review**

This policy shall be reviewed from time to time by the Board when deemed necessary.

## **7. Effective Date**

This Policy is dated 27 November 2013.

## **1. Introduction**

This policy is intended to address the succession planning process for Luster Industries Bhd. (“Luster”, “LIB” or “the Company”) and all subsidiary companies within the Luster Group, hereinafter refer to as the Group.

Succession planning is a process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation to replace key business leaders within the Group or when these key business leaders leave their positions.

The term Group Managing Director / Group Chief Executive Officer (“Group MD/CEO”), where applicable and as appear in this Policy, shall also include “Deputy Group MD/CEO”.

Where the position of the Group CEO and Group Chief Financial Officer (“Group CFO”) is a non-Board position, the Policy shall be applicable.

## **2. Objectives**

- 2.1. To ensure the Group is prepared with a plan to support operation and service continuity when the Group MD/CEO, Executive Directors, Group CFO or key business leader leave their positions;
- 2.2. To prepare a supply of suitably qualified and motivated employees for higher roles and responsibilities;
- 2.3. To develop career paths for employees which will facilitate the Group’s ability to recruit and retain top-performing or high talent employees;
- 2.4. To deliver a message to the Group’s employees that they are valuable; and
- 2.5. To develop reliable assessment procedures and ensure that these procedures are applied systematically across the Group.

## **3. Roles and Responsibilities**

- 3.1. Both the Board and the Group MD/CEO have pivotal roles to play in succession planning;
- 3.2. The Board is responsible for succession planning for the Group MD/CEO position. The Board should hire or internally promote the new Group MD/CEO when the existing Group MD/CEO leaves, and ensure the new Group MD/CEO has the required skills to implement the Group’s mission and vision;

- 3.3. The Board should have prepared themselves with an interim solution when Group MD/CEO leaves; and
- 3.4. The Group MD/CEO is responsible for ensuring a succession plan is in place for other key positions in the Group with the assistance from the senior management team and implicated employees.

#### **4. Development and Succession Planning Process**

A primary responsibility of the Board is planning for Group MD/CEO's succession and overseeing the identification and development of executive talent.

- 4.1. The Board, with the assistance of the Nominating Committee and working with the Group MD/CEO and Human Resources department, oversees executive officer development and corporate succession plans for the Group MD/CEO and other executive officers to provide for continuity in senior management.
- 4.2. The Board works with the Group MD/CEO to plan for Group MD/CEO succession. The succession plan covers identification of internal candidates, development plans for internal candidates, and appropriate identification of external candidates.
- 4.3. The Board annually reviews the Group MD/CEO succession plan. The criteria used to assess potential candidates for Group MD/CEO are formulated based on the Company's business strategies, and include strategic vision, leadership, and operational execution.
- 4.4. The Board may review development and succession planning more frequently as it deems necessary.

#### **5. Key Success Factors**

- 5.1. The support from the Board, the Group MD/CEO and Group CFO is essential to the succession planning process. This will give all employees an understanding and emphasis on the importance of succession planning to the Company;
- 5.2. Adequate time should be provided to the selected employees for development and mentoring; and
- 5.3. Review and update the succession plan regularly to ensure the Company has reassessed the hiring needs and determine whether the development progress of the selected candidates.

## **6. Periodic Review**

This policy shall be reviewed from time to time by the Board when deemed necessary.

## **7. Effective Period**

This Policy is effective 27 November 2013.

**DIRECTORS' ASSESSMENT POLICY****1. Introduction**

This policy sets out the criteria which are to be used in the assessment of Directors and Group Chief Financial Officer ("Group CFO") of Luster Industries Bhd. ("Luster", "LIB" or the "Company").

**2. Criteria**

The Nominating Committee has developed the criteria for use in the assessment of the following:

**2.1. Board and Board Committees:****2.1.1. Board structure:**

- Should have members with the right mix of skills and experience; and
- Should resolve the potential areas of conflicts that may impair the independence of the Independent Directors.

**2.1.2. Board operations:**

- Should hold board meetings with appropriate frequency;
- The information is adequately provided to help Directors understand the important issues and trends in the business prior to board meetings for good decision-making; and
- The board meetings should be carried out in an open communication environment with meaningful participation and timely and constructive resolution of issues.

**2.1.3. Board roles and responsibilities:**

- Should understand its role, authority and priorities.

**2.1.4. Board Chairman's role and responsibilities:**

- Should build healthy boardroom dynamics and deal effectively with any arising dissension and work constructively towards consensus; and
- Should oversee an effective decision-making process and ensure crucial alternatives are considered.

**2.1.5. Board Committees:**

- Should have the right composition; and
- The members of the committees should have sufficient and relevant expertise in fulfilling their roles.

## **2.2. Directors (in general):**

- 2.2.1. Strategic, character, experience, integrity, ethical and value-driven, competence, capability, commitment including time commitment; and
- 2.2.2. Any other criteria contained in the Board Charter and the Board Committees' Terms of Reference.

## **2.3. Independent Directors:**

- 2.3.1. Compliance with the definition of Independent Director under Paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad and any other criteria determined by the Nominating Committee.
- 2.3.2. The tenure of an Independent Director should not exceed a consecutive period of nine years or a cumulative period of nine years with intervals.
- 2.3.3. An Independent Director can only continue to hold office beyond the prescribed nine year period mentioned above following vigorous assessment and recommendation by the Board for the approval of shareholders' at the annual general meeting.

## **3. Procedure for Board Performance Assessment**

- 3.1. The Nominating Committee seeks input from each Director separately in relation to:
  - 3.1.1. the performance of the Board, Board Committees, Chairman of the Board and other Directors;
  - 3.1.2. the performance of the Group CEO and Group Financial Officer; and
  - 3.1.3. their own performance.
- 3.2. Such performance assessment should consider both quantitative and qualitative parameters against the criteria set in this policy;
- 3.3. The Chairman of Board and Nominating Committee should collect and collate the inputs received and provide an overview report for discussion by the Board;
- 3.4. The Board's performance assessment should be conducted on an annual basis and the results of the performance assessment should be documented.

## **4. Continuing Training Programme**

- 4.1. The Board or individual Directors should attend the relevant training programmes, seminars and forums to enhance their skills and knowledge.
- 4.2. The Board, via the Nominating Committee, should analyse the training needs of each individual Director on an annual basis.



## **5. Disclosure**

The Board should disclose how it has conducted the performance assessment of the Board, Group CEO, Group Financial Officer and senior management in the annual report.

## **6. Periodic Review**

This policy shall be reviewed from time to time by the Board when deemed necessary.

## **7. Effective Date**

This Policy is dated 27 November 2013.

## **1. Introduction**

This policy is intended to address sustainability policy and practices for Luster Industries Bhd. (“Luster” or “the Company”) and all subsidiary companies within the Luster Group, hereinafter refer to as the Group.

Sustainability encompasses all aspects of ethical business practices, addressing relevant Environment, Social and Governance (ESG) issues responsibly and profitably.

## **2. Objectives**

This policy aims to:

- 2.1. Endeavour to integrate the principles of sustainability into the Group’s strategies, policies and procedures;
- 2.2. Promote sustainable practices;
- 2.3. Ensure that the Board and senior management are involved in implementation of this policy and review the sustainability performance; and
- 2.4. Create a culture of sustainability within the Group, and the community, with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes.

## **3. Social Sustainability**

Social sustainability is focused on the development of programs and processes that promote social interaction and cultural enrichment. It emphasizes protecting the vulnerable, respecting social diversity and ensuring that the Group put priority on social capital.

- 3.1. To maintain a safe and healthy workforce;
- 3.2. To recruit and retain high potential and high performing employees;
- 3.3. To use training and development as a strategic investment and a way of shaping culture and behaviour in the Group;
- 3.4. To enable employees to further develop their professional and personal skills;
- 3.5. To promote racial harmony and prevent racial discrimination;
- 3.6. To prevent sexual harassment and other forms of violence against women;
- 3.7. To be recognised as a good corporate citizen;
- 3.8. To align our charitable giving with the Group’s activities;

- 3.9. To actively encourage our people to get involved in the charity work;
- 3.10. To respond in a professional and timely manner to public enquiries;
- 3.11. To continue improve public perception and experience of the Group; and
- 3.12. To support and encourage community development.

#### **4. Environmental Sustainability**

The Group is committed to identify, manage and minimise the environmental impact of business operations.

- 4.1. To reduce consumption of non-renewable, non-recycled materials;
- 4.2. To pursue and encourage the use of renewable resources;
- 4.3. To minimise the level of pollutants entering into the air and water from daily business operations;
- 4.4. To comply with environmental regulatory and legal requirements;
- 4.5. To create an ever-increasing awareness of this policy within the Group and stakeholders.

#### **5. Governance Sustainability**

Governance sustainability is becoming more essential in gaining the confidence of investors, other stakeholders and the public. The Group recognises the important of governance sustainability and incorporating it into all functions and processes which include strategic planning, accountability, sustainable planning and development.

- 5.1. To ensure sustainability forms an integral part of the Strategic Planning;
- 5.2. To enhance sustainability through regular updates of strategies, policies, procedures and provide relevant training;
- 5.3. To establish and continue to improve appropriate governance structures and processes;
- 5.4. To assess the impacts and outcomes of sustainability; and
- 5.5. To plan for long term resources including human and financial.

#### **6. Reports and Disclosures**

The Company will set long term and short term targets for our sustainability efforts. The targets must be along with metrics for measurement, tracking and reporting. The Company will integrate the metrics into the Company's performance management as part of the sustainability strategy.

The Company will compile reports on sustainability performance on a periodic basis and disclose the results to the public.

## **7. Periodic Review**

This policy shall be reviewed from time to time by the Board when deemed necessary.

## **8. Effective Date**

This Policy is dated 27 November 2013.

**WHISTLE BLOWER POLICY****1. Purpose**

This policy is intended for Luster Industries Bhd. ("Luster", "LIB" or "the Company") and all subsidiary companies within the Luster Group, hereinafter refer to as the Group.

All employees of the Group play an important part in maintaining the highest level of corporate ethics within the Group, and have a professional responsibility to disclose any known malpractices or wrongdoings (hereon referred to as "Concerns").

**2. Safeguards**

A person or entity making a protected disclosure is commonly referred to as a "Whistleblower". Whistleblowers provide initial information related to a reasonable belief that an improper activity has occurred.

Whistleblowers are protected against being dismissed or penalised by the Group, and Luster will consider mitigating circumstances if the Whistleblower himself / herself is involved in the activity that he / she reports.

A Whistleblower's right to protection from retaliation does not extend immunity for any complicity in the matters that are the subject of the allegations or an ensuing investigation.

**3. Confidentiality**

Every effort will be made to treat the Whistleblower's identity with appropriate regard for confidentiality. The Group gives the assurance that it will not reveal the identity of the Whistleblower to any third party not involved in the investigation or prosecution of the matter. The only exception to this assurance relates to an overriding legal obligation to breach confidentiality. The Group is obligated to reveal confidential information relating to a whistle-blowing report, if ordered to do so by a court of law.

**4. Procedures****4.1 Process for Disclosure:****(a) Impropriety**

This policy covers improprieties or irregularities, suspected fraud or criminal offences, breach of confidentiality and failure to comply with legal or regulatory requirements.

### **(b) Reporting**

Managers, officers and employees in supervisory roles shall report to the reporting person(s) on any allegations of suspected improper activities.

Disclosures in connection with the following may be reported in the tabulated manner:

Financial reporting, unethical or illegal conduct	<b>Chairman of Audit Committee</b> hr.manager@luster.com.my
Employment-related concerns	<b>Head of Human Resources</b> ac.chairman@luster.com.my

Disclosures can be verbal or in writing and forwarded in a sealed envelope to the abovementioned contact person(s) labelling with a legend such as “To be opened by the Chairman of Audit Committee or Head of Human Resources only”.

### **(c) Handling of a reported allegation**

The action taken by the Group in response to a report of Concern under this policy will depend on the nature of the concern. The Chairman of Audit Committee shall receive information on each report of Concern and follow-up information on actions taken.

#### **4.2 Investigator:**

The Internal Auditor shall be the named Investigator unless the Chairman of Audit Committee assigns / appoints another Investigator. Investigators must be impartial and independent of all parties concerned.

The Investigator is required to report all concerns raised, the status of all pending and on-going investigations, and any action taken or to be taken as a result of the investigations, to the Chairman of Audit Committee.

#### **4.3 Inquiries:**

Initial inquiries will be made to determine whether an investigation is appropriate, and the form that it should take. Some concerns may be resolved without the need for investigation.

If an investigation leads the Investigator to conclude that a crime has probably been committed, the results of the investigation shall be reported to the police or other appropriate law enforcement agency.

If an investigation leads the Investigator to conclude that the suspect has engaged in conduct that may be a violation of the Group's Code of Ethics or Conduct, the results of the investigation shall be reported to the Head of Human Resources or the Group Managing Director/Chief Executive Officer (including the Deputy) in accordance with the applicable procedures for company conduct and the administration of discipline. Any charges of misconduct brought as a result of an investigation under this policy shall comply with established disciplinary procedures.

## **5. Monitoring and Periodic Review of Policy**

The Group must diligently monitor these procedures to ensure that they meet the objectives of relevant legislations and remain effective for the Group, and, if necessary, implement changes subject to the approval of the Group's Board of Directors.

This policy will be reviewed from time to time by the Board when deem necessary to assess its effectiveness.

## **6. Effective Date**

This Policy is dated 27 November 2013.

**RELATED PARTY TRANSACTIONS POLICY****1. Introduction**

Luster Industries Bhd. (“Luster”, “LIB” or the “Company”) and its subsidiaries (“the Group”) would, in ordinary course of business, enter into transactions of revenue or trading nature with a related party or parties.

**2. Objectives**

This policy is designed to ensure the related party transactions (“RPT”) are carried out in the ordinary course of business, are made at arm’s length and on normal commercial terms which are not more favourable to the related party or parties than those generally available to the public and are not on terms that are detrimental to the minority shareholders of Luster.

This policy also aims to comply with the Part E, Paragraph 10.08 and 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad.

**3. Definition**

- 3.1. “**Chief Executive**” in relation to a corporation, means the principal executive officer of the corporation for the time being, by whatever name called, and whether or not he is a Director.
- 3.2. “**CMSA**” means the Capital Markets and Services Act 2007.
- 3.3. “**Director**” has the meaning given in section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon
  - a) a Director of the listed issuer, its subsidiary or holding company; or
  - b) a Chief Executive of the listed issuer, its subsidiary or holding company.
- 3.4. “**family**” in relation to a person means such person who falls within any one of the following categories:
  - a) spouse;
  - b) parent;
  - c) child including an adopted child and step-child;
  - d) brother or sister; and
  - e) spouse of the person referred in point (c) and (d) above.
- 3.5. “**person connected**” in relation to a Director or major shareholder, means such person who falls under any one of the following categories:
  - a) a family member of the Director or major shareholder;



- b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director or major shareholder, is the sole beneficiary;
  - c) a partner of the Director or major shareholder, or a partner of a person connected with that Director or major shareholder;
  - d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or major shareholder;
  - e) a person in accordance with whose directions, instructions or wishes the Director or major shareholder is accustomed or is under an obligation, whether formal or informal, to act;
  - f) a body corporation or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or major shareholder;
  - g) a body corporate or its Directors whose directions, instructions or wishes the Director or major shareholder is accustomed or under an obligation, whether formal or informal, to act;
  - h) a body corporate in which the Director or major shareholder, or person connected with him/her are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
  - i) a body corporate which is a related corporation.
- 3.6. **“related party”** means a Director, major shareholder or person connected with such Director or major shareholder.
- 3.7. **“Recurrent Related Party Transaction”** means a related party transaction which is recurrent, of a revenue or trading nature and which is necessary for day-to-day operations of a listed issuer or its subsidiaries;
- 3.8. **“related party transaction”** means a transaction entered into by the listed issuer or its subsidiaries which involves the interest, direct or indirect, of a related party.

#### 4. Policies and Procedures

- 4.1. The transactions with the Related Party or Parties will only be entered into after taking into account the pricing, quality of product, expertise and other related factors. The transaction prices will be determined by market forces which will depend on the supply and demand of the products and subject to the availability of the products in the market or at prices similar to those prices for transactions with unrelated third parties including, where appropriate, preferential rates and discounts accorded for bulk purchases (the same as are accorded to third party bulk purchase);

- 4.2. The terms and conditions of the transactions will be determined by the product provider's usual commercial terms or in accordance with applicable industry norm;
- 4.3. Records will be maintained by the Company to record all the Recurrent Transactions entered into pursuant to the Proposed Shareholders' Mandate to ensure that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to;
- 4.4. At least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Related Party or Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing to unrelated third parties cannot be obtained (for instance, if there are no unrelated third party customers of similar products, or if the product is a propriety item), the transaction price will be determined based on the margin/price transacted for other similar product/services and the transaction price will be reviewed taking into account prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms in order to ensure the Recurrent Transaction is not detrimental to the Group.

- 4.5. The Audit Committee of Luster has in place adequate procedures and processes to monitor, track and identify Recurrent Transactions in a timely and orderly manner, and the frequency of review of these procedures and processes;
- 4.6. The Audit Committee periodically reviews the procedures set by Luster to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company.

All reviews by the Audit Committee are reported to the Board for further action. In its review and approval of such transactions, the Audit Committee may, as it deems fit, request for additional information pertaining to the transactions from independent sources or professionals; and

- 4.7. All the Directors and major shareholders are required to declare and disclose any transaction in which they are deemed interested and such transactions must be subject to the scrutiny of the Audit Committee.

In addition, the Directors and Major Shareholders have given their undertakings that all business transactions entered into between the Group and themselves and/or Persons Connected with them shall be negotiated on and agreed at arm's length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

## **5. Threshold for Approval**

The threshold for Recurrent Transactions will be determined by Audit Committee on a yearly basis, subject to the provisions in the Listing Requirements and/or the Act, where necessary. Where any Director has an interest (direct or indirect) in any Recurrent Transactions, such Director shall abstain from deliberation and voting on the matter.

## **6. Disclosure**

Disclosure will be made in the Company's Annual Report of the breakdown of the aggregate value of Recurrent Transactions conducted, types of Recurrent Transactions made, names of the Related Party or Parties involved in each type of Recurrent Related Party Transactions and their relationship with the Company pursuant to the Proposed Shareholders' Mandate during the financial year, and in the Annual Report for the subsequent financial year that the Proposed Shareholders' Mandate continues to be in force.

## **7. Periodic Review**

This policy shall be reviewed from time to time by the Board when deem necessary.

## **8. Effective Date**

This Policy is dated 27 November 2013.