



# BOARD CHARTER

This Board Charter was reviewed and approved by the Board on 30 September 2020

**TABLE OF CONTENTS**

<b>No.</b>	<b>Subject</b>	<b>Page</b>
1.	Objectives	3
2.	Composition, Size and Tenure of the Board	3
3.	Roles and Responsibilities of the Board	4
4.	Board Structures and Procedures	5
5.	Relationship of the Board to Management	6
6.	Supply of Information and Rights of Directors	6
7.	Independent Directors	6
8.	Directors' Training	7
9.	Ethical Standards, Integrity and Legal Duties	7
10.	Confidentiality	7
11.	Chairman and Group Managing Director	8
12.	Board Committees	9
13.	Role of the Company Secretary	10
14.	Code of Business Ethics	11
15.	Appendix 1: Definition of Independent Director	12
16.	Appendix 2: Audit and Risk Committee Terms of Reference	13
17.	Appendix 3: Nomination Committee Terms of Reference	21
18.	Appendix 4: Remuneration Committee Terms of Reference	23
19.	Appendix 5: Employees' Share Scheme Committee Terms of Reference	25
20.	Appendix 6: List of Board and Board Committee Members	30

## **1.0 OBJECTIVES**

- 1.1 The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect, and on behalf of, the Company.
- 1.2 This Board Charter is subject to the provisions of the Malaysian Code on Corporate Governance 2017 ("MCCG"), Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), Companies Act, 2016, the Constitution of Ahmad Zaki Resources Berhad ("AZRB" or "the Company") and other applicable laws or regulatory provisions.

## **2.0 COMPOSITION, SIZE AND TENURE OF THE BOARD**

- 2.1 As set out in the Company's Constitution, unless otherwise determined by the Company at the general meeting, the number of Directors shall not be less than two (2) or not more than eleven (11) Directors. At least one-third (1/3) of the Board should consist of Independent Non-Executive Directors.
- 2.2 The Board comprises members with relevant expertise and experience drawn from various backgrounds to ensure the Group is steered and guided by an accountable and competent Board.
- 2.3 The Board shall include a balance of Executive Directors and Non-Executive Directors (including Independent Non-Executives) such that no individual or a group of individuals can dominate the Board's decision making. The Board shall identify a Senior Independent Non-Executive Director of the Board, whom concerns may be conveyed to.
- 2.4 Non-Executive Directors shall be persons of caliber, credibility and have the necessary skill and experience to bring an independent judgment to bear on the issues of strategy, performance and resources including key appointments and standards of conduct.
- 2.5 The Board is to be chaired by a Non-Executive Director, appointed by the Board from its members.
- 2.6 The office of a Director shall become vacant if the Director becomes of unsound mind, bankrupt or is absent from more than 50% of the total Board of Directors' meetings held during a financial year or is convicted by a court of law, whether within or outside of Malaysia.
- 2.7 Each Director shall not hold more than five (5) directorships in listed issuers and shall devote sufficient time and effort to carry out the responsibilities and duties as a Director.

### **3.0 ROLES AND RESPONSIBILITIES OF THE BOARD**

3.1 The principal responsibilities of the Board shall include but not limited to the following:-

- i. Reviewing and adopting strategic plans for the Company and the Group;
- ii. Overseeing the conduct of the Company and the Group's businesses and to evaluate whether the businesses are being properly managed;
- iii. Identifying principal risks affecting the Company and the Group and ensuring the implementation of appropriate internal controls and mitigation measures;
- iv. Reviewing and adopting a Succession Planning for the Company and the Group;
- v. Overseeing the development and implementation of stakeholder communications policy for the Company and the Group;
- vi. Reviewing the adequacy and the integrity of the management information and internal control systems of the Company including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- vii. Promoting a good corporate governance culture within the Company and the Group which reinforces ethical, prudent and professional behavior; and
- viii. Reviewing and monitoring the adequacy and effectiveness of the Group's Anti-Bribery Management System.

3.2 Other responsibilities of the Board shall also include the following:-

- i. Preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the income statement for the year then ended. Ensuring that the Company has used appropriate accounting policies, consistently applied and supported with reasonable and prudent judgments and estimates, and all accounting standards which are applicable to the Company;
- ii. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act, 2016;
- iii. Disclosing in the Annual Report the following statements:-
  - (a) Corporate Governance Overview Statement in compliance with the MCGG and in accordance with the provisions of the Listing Requirements;
  - (b) Statement of Board's responsibility for preparing the annual financial statements;
  - (c) Statement on Risk Management and Internal Control of the Company; and
  - (d) Sustainability Statement of the Company.
- iv. Reviewing monthly/quarterly budget reports/other reports presented by Management, including quarterly results prior to submission to Bursa Malaysia;
- v. Maintaining an effective communications policy that enables both the Board and Management to communicate effectively with its members, stakeholders and the public in general. This policy should effectively interpret the operations of the Company to the members and must accommodate feedback from members, which should be factored into the Company's business decisions. The Board is

- responsible for presenting the performance of the Company as contained in the Annual Report at each Annual General Meeting and answering any questions raised by members during the meeting;
- vi. Delegating its authority to Board Committees comprising Board members to oversee critical/major functional areas and to address matters which required detailed review.
  - vii. These Board Committees, as detailed under item 12.0, report to the Board on their recommendations and the ultimate responsibility for the final decision on all matters lies with the Board. The Board Committees include:
    - (a) Audit and Risk Committee;
    - (b) Nomination Committee;
    - (c) Remuneration Committee; and
    - (d) Employees' Share Scheme Committee.
  - viii. Reviewing the term of office and performance of the Audit and Risk Committee and each of its members at least once in every three (3) years; and
  - ix. Approving the Terms of Reference, as set out in Appendices (2) to (5) at the recommendation of the respective Board Committees.

#### **4.0 BOARD STRUCTURES AND PROCEDURES**

- 4.1 The Board shall meet regularly (at least once in every quarter) with due notice of issues to be discussed and ensuring that it maintains effective supervision over appropriate controls and shall record its conclusions in discharging its duties and responsibilities.
- 4.2 The Group Managing Director ("GMD") leads the presentation of board papers and provides comprehensive explanation of pertinent issues as well as reporting to the Board on significant changes in the business and external environments which affect risks. The Chief Financial Officer provides the Board with quarterly financial information.
- 4.3 The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Company is firmly in its hands. This acts as a safeguard against misjudgments and possible illegal practices.

The schedule is updated regularly and shall include the following:-

- i. Any material acquisitions or disposals of assets/investments (or any capital expenditure) by the Company and its subsidiaries;
- ii. Any proposed debt restructuring plan by the Company and/or its subsidiaries;
- iii. Major acquisitions of companies/businesses and merger involving the Company and/or its subsidiaries and associated companies;
- iv. Fund raising exercise through capital market undertaken by the Company and/or its subsidiaries and associated companies;
- v. Dividend policy of the Company;
- vi. Issuing any corporate guarantee to financial institutions for the benefits of its subsidiaries/associated companies;

- vii. Any transactions whether recurrent or non-recurrent involving related parties of any amount;
- viii. Any announcement to be released to Bursa Malaysia (for practical purpose, the Board may appoint one (1) of its members to authorise the release of any announcement to Bursa Malaysia, on behalf of the Board);
- ix. The appointment of internal auditor and external auditor;
- x. Major changes of accounting policies adopted by the Company and the Group; and
- xi. Annual budgeting and forecasting exercise including development of business strategies and establishment of key performance indicators against which business units within the Group can be evaluated. On a quarterly basis, the variances are reported to the Board.

## **5.0 RELATIONSHIP OF THE BOARD TO MANAGEMENT**

5.1 The Board shall delegate some of its responsibilities to Management either directly or via Board Committees and those responsibilities shall include the following:-

- i. The pricing decision on product to be sold/tendering purposes;
- ii. The recruitment of new staff and the setting of remuneration policy; and
- iii. The purchasing and procurement functions for the business operation's requirements other than those mentioned in item 4.3 above.

## **6.0 SUPPLY OF INFORMATION AND RIGHTS OF DIRECTORS**

6.1 The Board shall receive information in a timely manner and of a quality appropriate to enable the Board to discharge its duties. Three (3) days prior to each Board meeting, members of the Board are provided with information such as minutes of previous meeting financial reports, key performance indicators and other issues relevant to the business of the meeting to facilitate an informed decision-making process.

6.2 Subject to any applicable law, the Company shall ensure that every Director has the right to the resources, whenever necessary and reasonable for the performance of his duties, at the cost of the Company provided the Board's approval is first obtained, including but not limited to the following:

- i. Obtain full and unrestricted access to any information pertaining to the Company;
- ii. Have direct access to Senior Management and the external auditors;
- iii. Have direct communication channels and access to the Company Secretary; and
- iv. Obtain external, legal or independent professional advices.

## **7.0 INDEPENDENT DIRECTORS**

7.1 The Independent Directors shall provide independent judgment, experience and objectivity without being subordinated to operational considerations.

7.2 The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their

unfettered and independent judgment. The Board has adopted a definition of independence that is based on the Listing Requirements of Bursa Malaysia as set out in Appendix 1.

- 7.3 An Independent Director may continue to serve as a member of the Board beyond nine (9) years if the Nomination Committee concludes and the Board concurs, after an assessment is carried out by the Nomination Committee annually, that the services of the Independent Director are still required by the Company, subject to members' approval.

## **8.0 DIRECTORS' TRAINING**

- 8.1 Every new Director shall undertake the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Malaysia.
- 8.2 In addition to the MAP, the Directors will continue to attend in-house training courses organised by the Company and also training programmes organised by the relevant regulatory authorities and professional bodies to keep abreast with developments in the capital markets, relevant changes in laws and regulations and on corporate governance matters and to enhance their existing or acquire additional skills and knowledge in the discharge of their responsibilities.

## **9.0 ETHICAL STANDARDS, INTEGRITY AND LEGAL DUTIES**

- 9.1 The Directors are to maintain the highest degree of integrity, professionalism and ethical standards at all times, exercise their powers and authority in good faith and shall act honestly and use reasonable care, skill and diligence in the best interest of the Group.
- 9.2 The Board will operate in a manner reflecting the shared values of the Group and in accordance with the best corporate governance practices, the Constitution, the Companies Act, 2016 and all other applicable laws and regulations.
- 9.3 Each Director has a fiduciary and statutory duty not to place himself in a position which gives rise to, or is perceived to give rise to, a real or substantial possibility of conflict, whether it be a conflict of interest or conflict of duties. A Director who has a conflicting interest in a matter involving the Company or the Group shall promptly disclose the nature of his interest to the Board. Board members shall abstain from participating, deliberating and exercising voting rights in matters for which they have a conflict of interest.

## **10.0 CONFIDENTIALITY**

- 10.1 The Directors acknowledge that all proceedings of the Board and the Board Committees, and any information and documents in which they have insight during their tenure of office are strictly confidential and will not be disclosed to any person other than the Board members, except as agreed by the Board or as required by law.

## **11.0 CHAIRMAN AND GMD**

- 11.1 The Board will appoint a Chairman from among the Directors. The Chairman is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.
- 11.2 There is a clear division of responsibilities between the Chairman and the GMD to ensure that there is a balance of power and authority. The Chairman is responsible for looking after the best interest of all members by instilling good corporate governance practices, leadership and effectiveness of the Board, whilst the GMD, with the assistance of Deputy GMD 1 and Deputy GMD 2, has the overall responsibilities for the execution of the Group's strategies in line with the Board's direction, oversees the business operations and drives the Group's business and performance towards achieving the Group's vision and objectives.
- 11.3 The responsibilities of the Chairman and GMD are broadly defined as follows:-

### **Responsibilities of the Chairman**

- i. Responsible for the orderly conduct and working of the Board, to encourage healthy debate on issues being deliberated to reflect an appropriate level of skepticism and independence;
- ii. Responsible for a balance of Board memberships, that is reflective of the shareholdings, subject to the Board and members' approval;
- iii. Responsible for organising agenda (with the assistance from Company Secretary) and information necessary for the Board to deal with the agenda on a timely basis;
- iv. Ensuring that all Directors, Executive and Non-Executive alike, are enabled and encouraged to play their full part in its activities. This includes making certain that Directors, especially Non-Executive Directors receive timely, relevant information tailored to their needs and they are properly briefed on issues arising at Board meetings;
- v. Ensuring that Executive Directors look beyond their executive function in setting the policy framework and strategies to align the business activities driven by the Senior Management with the Group and monitors its implementation and accept their full share of responsibilities on Corporate Governance;
- vi. With the assistance from the Company Secretary, to ensure that the Board adheres to the principles of Corporate Governance and make necessary recommendations to the Board from time to time; and
- vii. Ensuring that decisions taken by the Board are in compliance with all relevant regulations and legislations, in particular the Listing Requirements as well as the Capital Markets & Services Act, 2007 together with its amendments and other rules and regulations.

### **Responsibilities of the GMD**

- i. Manage and administer the day-to-day running of business operation within the Group and ensure smooth and effective running in the Group's policies and



- procedures set by the Board are being implemented and adhered to by the Management;
- ii. Assisting the Board in identifying the corporate objectives ensuring high management competency as well as the emplacement of an effective management succession plan to sustain continuity of operations of the Group;
  - iii. Ensuring financial management practice is performed at the highest level of integrity and transparency in reporting to the Board on both financial and non-financial matters for the benefit of the members and that the business and affairs are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
  - iv. Assisting the Board in developing and translating the strategies into a set of manageable goals and priorities and setting the overall strategic policy and direction of the business operations, investment and other activities based on effective risk management controls for the Group and make recommendation to the Board or Management; and
  - v. To develop and implement communication programmes and dialogues with members, investors, analysts as well as employees, and providing effective leadership to the Group.

## **12.0 BOARD COMMITTEES**

12.1 The Board has delegated certain powers and duties to Board Committees, all of which operate within defined terms of reference set by the Board.

12.2 The Board has established the following committees to assist in the discharge of its functions and responsibilities:

### **a. Audit and Risk Committee**

The main function of the Audit and Risk Committee is to assist the Board by balancing the roles and responsibilities within the Audit and Risk Committee in overseeing the financial efficiency and effectiveness of the Company within the current financial year which will be provided to the members and others, the systems of internal controls which Management and the Board have established, and the audit process.

It is also to ensure of an effective functioning of an integrated risk management function within the organisation. It oversees and monitors the overall risks impacting the Group as well as to review and approve risk management policies and risk tolerance limits. The membership and terms of reference are set out in Appendix 2.

### **b. Nomination Committee**

The main function of the Nomination Committee is to propose, consider and recommend to the Board, candidates for directorships to be filled in the Board,

including assessing the eligibility of Independent Non-Executive Directors who have served more than nine (9) years. The Nomination Committee is also tasked to assess performance of each of the Audit and Risk Committee member as well as the Audit and Risk Committee as a whole on an on-going basis.

The Nomination Committee constantly assess the overall effectiveness of the Board and Board Committees as a whole, with due consideration given to the required mix of skills, expertise and experience to meet the needs and complement the Board. The membership and terms of reference are set out in Appendix 3.

**c. Remuneration Committee**

The main function of the Remuneration Committee is to set the policy framework and recommend to the Board on remuneration packages and benefits extended to the Directors, drawing from outside advice, ensuring that compensation is competitive and consistent with the Company's culture, objectives and strategy, sufficient to attract and retain the Directors needed to manage the Company successfully. The membership and terms of reference are set out in Appendix 4.

**d. Employees' Share Scheme Committee**

The Employees' Share Scheme Committee was established with the primary responsibility of formulating, implementing and administering the Employees' Share Scheme in accordance with the By-Laws as approved by the Board and members of the Company. The membership and terms of reference are set out in Appendix 5.

**13.0 ROLE OF THE COMPANY SECRETARY**

- 13.1 The Board is to be supported by a qualified and competent Company Secretary.
- 13.2 The appointment and removal of the Company Secretary is subject to approval of the Board.
- 13.3 The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary plays an advisory role to the Board in relation to policies, procedures and compliance with the relevant regulatory requirements and guidelines as well as the principle of best corporate governance practices.
- 13.4 Each Director has a right of access to the Company Secretary at all times. The roles and responsibilities of the Company Secretary shall include, but are not limited to the following:
- i. Advising the Board on its roles and responsibilities;
  - ii. Managing, attend and recording of proceedings of meetings of all Board, Board Committees and members' meetings and facilitating Board communications;

- iii. Ensuring compliance, providing and procuring advice on the relevant laws and regulations, including the Companies Act, 2016, Listing Requirements, corporate governance practices including the principles and recommendations of the MCGG, providing updates thereof and informing the Board of any departures/breaches and possible violations of legal and regulatory acts, if any;
- iv. Facilitating the training, professional development of the Directors and the induction programme for the new Directors; and
- v. Ensuring availability of information as required by Directors for the proper discharge of their duties.

#### **14.0 CODE OF BUSINESS ETHICS**

- 14.1 The Directors are expected to conduct themselves with the highest ethical standards. All Directors and employees are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Company.
- 14.2 The Group communicates its Code of Business Ethics to all Directors and employees upon their appointment/employment and is deemed to be part of the Terms and Conditions of Service. The Code of Business Ethics can be found on the Company's website and is subject to regular review and updates.
- 14.3 The Code of Business Ethics lays out the ethical, business and lawful conduct of the Company, including managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.
- 14.4 The Whistleblowing policy, found on the Company's website is a tool to manage non-compliance to the Group's Code of Business Ethics and its future improvement. The whistleblower is advised to report and provide appropriate information of any improper conduct to the Group Chief Compliance Officer for further action.
- 14.5 Each Director will, at all times, act honestly, fairly and diligently in all respects in accordance with the laws applicable to the Company.

**APPENDIX 1**

**DEFINITION OF INDEPENDENT DIRECTOR**

An independent director is a director who:-

1. is not an executive director of the Company or any related corporation of the Company;
2. has not been within the last 2 years and is not an officer<sup>1</sup> (except as a non-executive director) of the Company or any related corporation of the Company;
3. is not a major shareholder of the Company or any related corporation of the Company;
4. is not a family member of any executive director, officer<sup>1</sup> or major shareholder of the Company or any related corporation of the Company;
5. is not acting as a nominee or representative of any executive director or major shareholder of the Company or any related corporation of the Company;
6. has not been engaged as an adviser by the Company under such circumstances as prescribed by Bursa Malaysia or is not presently a partner, director (except as an independent director) or a major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company under such circumstances as prescribed by Bursa Malaysia; or
7. has not engaged in any transaction with the Company under such circumstances as prescribed by Bursa Malaysia or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the listed company) which has engaged in any transaction with the Company under such circumstances as prescribed by Bursa Malaysia.

*# 1 – Chief executive officer, chief operating officer, chief financial controller or any other person primarily responsible for the operations or financial management of the Company or its related corporation, by whatever name called.*

**APPENDIX 2**

**AUDIT AND RISK COMMITTEE (“ARC”) TERMS OF REFERENCE**

**1.0 Purpose**

The ARC is a sub-committee of the Board. The primary functions of the ARC are:

- i. to safeguard the interests of minority members;
- ii. to assist the Board in fulfilling its oversight responsibilities as they relate to the Company’s management, internal controls, accounting policies and financial reporting by reviewing the financial information required to be provided to the members and others, the systems of internal controls which management and the board of directors have established, and the audit process;
- iii. to provide, by way of regular meetings, a line of communication between the Board and the internal and external auditors;
- iv. to review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- v. to ensure of an effective functioning of an integrated risk management function within the organization; and
- vi. to oversee and monitor the overall risks impacting the Group as well as to review and approve risk management policies and risk tolerance limits.

**2.0 Membership**

- 2.1 The ARC shall be appointed by the Board and shall consist of not less than three (3) members, all of whom shall be Non-Executive Directors, with a majority of them being Independent Directors and is not a person connected with an Executive Director as defined under the Companies Act 2016, and is not a person having relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgments in carrying out the functions of the ARC.
- 2.2 At least one (1) member of the ARC shall be a member of the Malaysian Institute of Accountants (MIA), or otherwise, must possess the qualification as set out in Chapter 15, Part 15.09(1)(c) of the Listing Requirements or such other requirements as approved by Bursa Malaysia.
- 2.3 The Chairman of the ARC shall be an Independent Non-Executive Director appointed by the Board. It is the responsibility of the Chairman to schedule all meetings and provide the members with a written agenda.
- 2.4 In the event of any vacancy in the ARC resulting in non-compliance with the Listing Requirements, the vacancy shall be filled within three (3) months.

- 2.5 No alternate Director shall be appointed as a member of the ARC.
- 2.6 The term of office of the ARC members shall be determined by the Board and their performance shall be reviewed annually by the NC.

### **3.0 Rights of the ARC**

Wherever necessary and reasonable for the performance of its duties in accordance with a procedure to be determined by the Board of Directors, the ARC shall:-

- i. have authority to investigate any matter within its terms of reference;
- ii. have the resources which are required to perform its duties;
- iii. have full and unrestricted access to any information pertaining to the Company and the Group, records, properties and personnel;
- iv. have direct communication channels with the external auditors and internal auditors;
- v. be able to obtain independent professional or other advice;
- vi. be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Directors and employees; whenever deemed necessary in separate executive sessions, to discuss any matter that should be discussed privately;
- vii. to have immediate access to reports on fraud or irregularities from the internal auditors; and
- viii. to be able to independently review the adequacy and effectiveness of risk management of the Group and monitor the risk reporting.

### **4.0 Responsibilities of the ARC**

#### **4.1. General responsibilities.**

- 4.1.1 Report promptly to Bursa Malaysia where it is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
- 4.1.2 Assist the Board of Directors in fulfilling its statutory and fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiaries. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the Management and the adequacy of disclosures to members;
- 4.1.3 Review the scope, functions, programmes and consider the results of the internal audit investigations and management's response;
- 4.1.4 Report to the Board its activities, significant result and findings with such recommendations as the Committee may deem appropriate;

- 4.1.5 Review and update the ARC Terms of Reference;
- 4.1.6 Other such functions as may be agreed by the ARC and the Board of Directors, or as required under any law or regulation.
- 4.1.7 To oversee the internal control structure to ensure operational effectiveness and protect the Company's and the Group's assets from misappropriation; and
- 4.1.8 to review related party transactions entered into by the Company and the Group to ensure that such transactions are undertaken on the Group's normal commercial terms and that the internal control procedures with regards to such transactions are sufficient and to review any conflict of interest situation.

#### 4.2 Internal Controls and Risk Assessment

- 4.2.1 Review and evaluate the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to minimise such risks to the Company.
- 4.2.2 Consider and review with Management, the external auditors and internal auditors:-
  - i. The effectiveness or weaknesses in the Company's internal controls including computerised information systems controls and security, the overall control environment and accounting and financial controls; and
  - ii. Any related significant findings and recommendations of the external auditors and the internal auditor together with Management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal control.
- 4.2.3 Review with internal auditor and the external auditors the coordination of audit effort to assure completeness of coverage of key business controls and risk areas, reduction of redundant efforts, and the effective use of audit resources.
- 4.2.4 Discuss with Management, the external auditors and internal auditor, the status and adequacy of management information systems and other information technology, including the significant risks related thereto and major controls over such activities.
- 4.2.5 Regular visits to operating units by Senior Management. The system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

- 4.2.6 Identifying principal risks the Company and the Group are facing and ensure that appropriate systems are implemented or steps are taken to manage these risks, ensuring that the system is robust enough so as to enable it to respond to changes in the business environment.
- 4.2.7 Setting appropriate objectives, performance targets and policies for the management of key risks faced by the Company and the Group, their review, and communicating the requirements of risk management policies, as formulated or reviewed, on a continuous basis.
- 4.2.8 Ensuring that there exists an appropriate organisation and reporting structure in place to support the delivery of risk management policies on an on-going basis.
- 4.2.9 Developing a risk and assurance strategy and policy and interpreting and summarizing the outputs from the Group-wide risk assessment process.
- 4.2.10 Preparing the relevant compliance statements relating to risk management for inclusion in the statement on internal control of the Annual Report.

#### 4.3 Financial Reporting

- 4.3.1 To review the Group's financial performance and position through annual financial statement, including annual and interim reports, press releases and statutory filings, and consider whether the information contained in these documents is consistent with the information contained in the financial statements prior to submission to the Board of Directors for consideration and approval.
- 4.3.2 Review with Management and the external auditors at the completion of the annual examination:
  - i. The Company's quarterly and year-end financial statements and related footnotes;
  - ii. The external auditor's audit of the financial statements and their report thereon;
  - iii. Review significant adjustments arising from the audit and the going concern assumption;
  - iv. Any changes required in the external auditor's audit plan;
  - v. Any serious difficulties or disputes with management encountered during the course of audit;
  - vi. The existence of significant estimates and judgements underlying the financial statements, including rationale behind those estimates as well as the details on material accruals and reserves;
  - vii. Other matters related to the conduct of the audit which are to be communicated to the ARC under generally accepted auditing standards;



- viii. Review and approve any changes in the Company's accounting policies and practices, significant and unusual events, compliance with accounting standards and other legal requirements;
- ix. Consider any related party transaction and conflict of interest situation that may arise within the Company or group, including any transaction, procedure or course of conduct that raises questions of management integrity; and
- x. Assess internal processes for determining and managing key financial statement risk areas.

#### 4.4 External Audit

- 4.4.1 Recommend to the Board of Directors, the external auditors to be nominated, compensation of the external auditors, review and discharge of the external auditors. Factors to be considered for the nomination of the external auditors include the adequacy of the experience and resources of the firm and the persons assigned to the audit.
- 4.4.2 Review any letter of resignation from the external auditors of the Company.
- 4.4.3 Review and report to the Board of Directors if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.
- 4.4.4 Review with the external auditors and report to the Board on the evaluation of the audit plan, the system of internal controls, audit report and the assistance given by the employees to the external auditors.
- 4.4.5 Review the scope and approach of the annual audit with the external auditors.
- 4.4.6 Assess the external auditors' process for identifying and responding to key audit and internal control risks.
- 4.4.7 Review the external auditors' identification of issues and business and financial risks and exposures.
- 4.4.8 Review the external auditor's management letter and management response.
- 4.4.9 Confirm and assure the independence of the external auditors, including a review of the nature of all services and related fees provided by the external auditors.
- 4.4.10 Instruct the external auditors to communicate and to report directly to the ARC any serious difficulties or disputes with management.
- 4.4.11 Meet with the external auditors without other board members present a least once a year.

#### 4.5 Internal Audit

- 4.5.1 The Internal Audit function of the Company shall be independent of the activities it audits and, reports directly to the ARC.
- 4.5.2 Evaluate the internal audit process for establishing the annual internal audit plan and focus on risk.
- 4.5.3 Consider, in consultation with internal audit, the audit scope and the role of internal audit.
- 4.5.4 Review and evaluate the scope, which includes the necessary authority to carry out its work, risk assessment and nature of the internal audit plan and any subsequent changes, including whether or not the internal audit plan is sufficiently linked to the company's overall objectives and management's success risk and factors.
- 4.5.5 Review any appraisal or assessment of the internal audit function; approve any appointment or termination of members of the internal audit function; review of the adequacy of the competency of the internal audit function.
- 4.5.6 Review the appointment, replacement, reassignment, dismissed or resignations of key members of internal audit staff.
- 4.5.7 Consider and review with management, the external auditors and internal auditor the following:
  - i. Significant findings during the year and management's responses thereto, including the timetable for implementation of the recommendations to correct weaknesses in internal control;
  - ii. Any difficulties encountered in the course of their audits, including any restrictions on the scope of work or access to require information;
  - iii. Any changes required in the planned scope of their audit plan;
  - iv. The internal auditing department budget and staffing;
  - v. The internal auditing department charter; and
  - vi. Internal auditor's compliance with the IIA's Standards for the Professionals Practice of Internal Auditing (Standards).
- 4.5.8 Confirm and assure the independence of the internal auditor.

#### 4.6 Compliance with laws and regulations

- 4.6.1 Ascertain whether the Company has an effective process for determining risks and exposures from asserted and unasserted litigation and claims and from non-compliance with laws and regulations.

4.6.2 Review any legal, tax or regulatory matters that may have a material impact on company operations and the financial statements, related company compliance policies, and programs and reports received from regulators.

4.7 Compliance with Code of Business Ethics

4.7.1 Review and assess the Company's processes for administering a Code of Business Ethics.

4.7.2 Review with internal auditor and the external auditors the results of their review of the Company's monitoring of compliance with the Company's Code of Business Ethics.

4.7.3 Review policies and procedures with respect to officers' expense accounts and prerequisites, including their use of corporate assets, and consider the results of any review of these areas by the internal audit or external auditor.

**5.0 Meeting**

5.1 The ARC is to meet at least four (4) times a year and as many times as ARC deems necessary;

5.2 The quorum for any meeting of the ARC shall be two (2), of whom the majority of members present shall be Independent Directors;

5.3 The Management including Chief Financial Officer, Financial Controller, Head of Internal Audit and Risk and also external auditors may be invited to attend meetings of the ARC;

5.4 Upon request by the external auditors, the Chairman of the ARC shall convene a meeting of the ARC to consider any matter the external auditors believe should be brought to the attention of the Directors or members of the Company;

5.5 If at any meeting the Chairman is not present at the time appointed for holding the meeting, or is unwilling to act, the members present may choose one of their members other than an Executive Director to chair the ARC meeting; and

5.6 The ARC may regulate its own procedures, in particular:-

- i. the calling of meetings;
- ii. the notice to be given of such meetings;
- iii. the voting and proceedings of such meetings;
- iv. the keeping of minutes; and
- v. the custody, protection and inspection of such minutes.

**6.0 Secretary**

The secretary of the ARC shall be the Company Secretary.

**7.0 Minutes**

Minutes of each meeting are to be prepared and sent to the ARC members and the Company's Directors who are not members of the ARC.

**APPENDIX 3:**

**NOMINATION COMMITTEE (“NC”) TERMS OF REFERENCE**

**1.0 Purpose**

The NC is a Committee of the Board. Its primary function is to propose, consider and recommend to the Board, candidates for directorships to be filled in the Board and Board Committees, including assessing the eligibility of Independent Non-Executive Directors who have served more than nine (9) years as well as re-election of Directors pursuant to Section 205 of the Companies Act, 2016. The NC is also tasked to assess performance of the effectiveness of individual members of the Board on an on-going basis.

**2.0 Composition**

- 2.1 The NC shall comprise exclusively of Non-Executive Directors, a majority of whom must be Independent Directors. The definition of an Independent Director is set out in Appendix 1.
- 2.2 The Board shall appoint one (1) of the members of the NC as the chairperson.
- 2.3 The term of appointment shall be reviewed at least once in every three (3) years.

**3.0 Responsibilities of the NC**

The NC shall have the following responsibilities:

- i. To develop succession planning policy and ensure that the policy is kept under review;
- ii. To assess the effectiveness of the Board and Board Committees as a whole and the contribution of each individual Director according to the assessment process pre-determined by the Board on annual basis;
- iii. To review annually the required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board;
- iv. To consider and recommend Directors for appointment as members of the Board and Board Committees and advise the Board on suitability of such candidate;
- v. To consider and recommend Independent Non-Executive Directors who have served for a cumulative term of more than nine (9) years to continue in office as Independent Non-Executive Director;

- vi. To conduct the introduction briefing for the new Board members with regards to the overall operations and corporate objectives of the Group; and
- vii. To review the term of office and performance of the Audit and Risk Committee and each of its members annually to determine whether the Audit and Risk Committee and members have carried out their duties in accordance with their terms of reference.

#### **4.0 Rights of NC**

The NC shall have the following rights in order to discharge its responsibilities set out in item 3.0 above:

- i. To conduct necessary search on the background of the potential candidates; and
- ii. To obtain the necessary information from the Management with regards to the Group's operation.

#### **5.0 Meeting**

The NC shall meet at least once a year or at such other times as the Chairman of the NC deems necessary and each meeting must be attended by at least two (2) members.

**APPENDIX 4:**

**REMUNERATION COMMITTEE ("RC") TERMS OF REFERENCE**

**1.0 Purpose**

The main function of the RC is to set the policy framework and recommend to the Board on remuneration packages and benefits extended to the Directors, drawing from outside advice, ensuring that compensation is competitive and consistent with the Company's culture, objectives and strategy, sufficient to attract and retain the Directors needed to run the Company successfully.

**2.0 Composition**

- 2.1 The RC shall be appointed by the Board from amongst the Directors consisting of Executive and Non-Executive Directors. It shall consist of not less than three (3) members. The Chairman shall be appointed by the Board.
- 2.2 The term of appointment shall be reviewed at least once in every three (3) years.

**3.0 Meeting**

- 3.1 The RC shall meet at least once a year or more frequently as required to review the remuneration package of the Directors.
- 3.2 Each meeting must be attended by a minimum of two (2) members and the chairperson shall attend all meetings of the RC other than when matters concerning himself are under discussion.
- 3.3 The chairperson must ensure that sufficient notice must be given to each member to attend the meeting and copies of minutes must be properly kept by the Company Secretary (to be decided by the Committee itself) and circulated to the members.

**4.0 Responsibilities of the RC**

- 4.1 The responsibilities of the RC shall include the following:
- i. To recommend to the Board with regards to establishing a formal and transparent procedures for developing the policy on the remuneration packages for the Directors; and

- ii. To review and establish the remuneration packages for each of the Executive Directors as per the procedures and policies set by the Board and make the necessary recommendation to the Board for consideration and approvals

## **5.0 Rights of the RC**

The RC shall have the rights to access to information, records, properties and employees of the Group and to draw outside advice as necessary with regards to the remuneration packages of Executive Directors should the needs required.

## **6.0 Remuneration Policy**

- 6.1 The RC shall aim to ensure that the remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. The Committee shall judge where to position their Company relative to other companies. The Committee shall be aware of what comparable companies are paying and shall take account of relative performance.
- 6.2 In the case of Executive Directors, the component parts of remuneration shall be structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration shall be linked to their experience and the level of responsibilities undertaken by the particular non-executive concerned. The Director concerned shall abstain from deliberations and voting on decisions in respect of his individual remuneration package.
- 6.3 The remuneration package comprises a number of separate elements which include base salary, bonus arrangements, retirement scheme and certain non-cash benefits.





APPENDIX 5

**EMPLOYEES' SHARE SCHEME (ESS) COMMITTEE TERMS OF REFERENCE**

**1.0 Function and Responsibilities of the Employees' Share Scheme Committee**

- 1.1 Administer the "Employees' Share Scheme" in accordance with the By-Laws as approved by the Board of the Company.
- 1.2 Do all act and things and in such manner as it, in its discretion, deems fit and enter into any transaction, agreement, deed, document or arrangement and make such rules and regulations, impose such terms and conditions, which are to be done by the Board pursuant to the By-Laws of the AZRB ESS.
- 1.3 Subject to the provisions of the AZRB ESS, to construe and interpret the By-Laws, the ESS, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the AZRB Employees' Share Scheme and its administration and the Board shall have the power by resolution to add to, amend and/or delete all or any of the By-Laws upon such recommendation, subject always to the terms of the By-Laws.
- 1.4 Subject By-Laws, the ESS Committee has the discretion at any time and from time to time within the duration of the ESS as it deems fit, offer such number of options to eligible employees in accordance with the ESS after taking into consideration the job grading, length of service, the Key Performance Indicator or appraisal of the eligible employee and such other factors as the ESS Committee deems relevant. The selection for the participation in the ESS shall be determined by the ESS Committee whose decision shall be final and binding after approval of the Board.
- 1.5 The ESS Committee shall recommend the exercise price payable for upon the exercise of any option granted to the Board. The exercise price as determined by the Board upon recommendation of the ESS Committee shall be conclusive and binding on any eligible employee who entitles after taking into consideration the job grading, length of service, the Key Performance Indicator or appraisal of the eligible employee (Grantee) and such other factors as the ESS Committee deems relevant.
- 1.6 ESS Committee shall determine whether or not to suspend (and if so, to later decide to lift such suspension of) the right in respect of any AZRB ESS of a Grantee in the event of the commencement of Disciplinary Proceedings (whether or not such Disciplinary Proceedings will give rise to a dismissal or termination of service) against such Grantee or determine any reduction in the number of shares comprised in the AZRB ESS held by

that Grantee which are unexercised at the time or determine whether or not the Grantee may continue to exercise at the time or determine whether or not the Grantee may continue to exercise his/her ESS and to impose any limits, terms and conditions as it deems appropriate in respect of such exercise.

- 1.7 The ESS Committee shall suspend the Grantee's option pending the outcome of such disciplinary proceedings provided always that:
- i. In the event that such Grantee shall subsequently be found not guilty of the charges which give rise to such disciplinary proceedings, the ESS Committee shall reinstate the rights of such Grantee to exercise his/her option;
  - ii. In the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service such as Grantee, the option shall immediately cease without notice and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation may be subsequently challenged by the Grantee in any other forum; and
  - iii. In the event such Grantee is found guilty but not dismissed or termination of service is not recommended, the ESS committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise this option and if so, to impose such limits, terms and conditions as it deems appropriate, on such exercise.
- 1.8 ESS Committee is responsible in the event of an alteration in the capital structure of the Company in the manner as prescribed in the By-Laws, to make any alterations to number of shares comprised in an ESS, so far as they are unexercised, the price and/or manner of the exercise of the ESS.
- 1.9 To determine with regard to the ESS, in the event of the cessation of the employment of a Grantee if cessation occurs by reason of the events as set out in the By-Laws or in the event of the death of any Grantee before any expiry, any acceleration of exercise, as yet unexercised and the times and period at or within such accelerated ESS may be exercised.
- 1.10 ESS Committee to process and approve the AZRB ESS Grantees which have been assessed with the term of the By-Laws.
- 1.11 ESS Committee to review in manner in which ESS are granted to and subsequently exercised by Eligible Employees from time to time to and compliance with the By-Laws and regulatory requirements, to perform such other duties and functions as may be requested by the Board.
- 1.12 Subject to these By-Laws, the ESS Committee shall do all acts and things and enter into any transaction, agreement, deed, document or arrangement and to make such rules and regulations, impose such terms and conditions, appoint any advisor, agent, trustee or nominate to facilitate the implementation and operation of the Scheme which the ESS

Committee may in its discretion consider to be necessary or desirable for giving full effect to the Scheme. Unless otherwise expressly provided, where these By-Laws provide that any discretion is to be exercised by the ESS Committee, that discretion may be exercised by the ESS Committee in its absolute discretion.

## **2.0 Composition of the ESS Committee**

- 2.1 The ESS Committee shall comprise at least five (5) members a majority of whom shall be Executive Director.
- 2.2 The members of the ESS Committee shall select a Chairman, who is a Board of member.
- 2.3 The members of the ESS Committee shall be appointed by the Board. The members of the ESS Committee shall be nominated by the Board of Directors and shall be appointed by resolution of the Board.
- 2.4 The Board shall have power at any time and from time to time to rescind the appointment of any person in the ESS Committee and appoint new members to the ESS Committee as it shall deem fit.
- 2.5 Alternate Directors shall not be appointed as members of the ESS Committee and subject to any regulatory disqualification, members of the ESS Committee shall not be removed except by the Board.
- 2.7 If a member of the ESS Committee resigns, or for any other reasons ceases to be a member thereof resulting in the number of members to be reduced to below five (5), the Board shall as soon as practical thereafter, appoint such number of new members as may be required to make up the minimum number of three (3) members. The Board shall within 2 (two) months fill the same so as to comply with all regulatory requirements and By-Laws. The ESS Committee will review and recommend to the Board for its approval.
- 2.8 A member of the ESS Committee shall excuse himself or herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her. This is required to avoid ESS Committee members from participating in the matters that will create conflict of interest.
- 2.9 The Board, may from time to time and in its absolute discretion, revise the composition of the ESS Committee and the roles and responsibilities of the ESS Committee.

## **3.0 Quorum and Meetings**

- 3.1 In order to form a quorum, a minimum of two (2) ESS Committee members must be present.

- 3.2 Where only the minimum quorum is present or where only two (2) attendees are competent to vote on the question in issue, and there is equality in vote, the resolution shall be deemed not to have been passed, whereupon the question in issue shall be tabled at the next meeting of the ESS Committee or referred to the Board, whichever is more expedient.
- 3.3 The ESS Committee shall meet as often as may be deemed necessary or appropriate in its judgment or the judgment of the Board.
- 3.4 The Chairman or a majority of members of the ESS Committee may call meetings upon reasonable notice to all members of the ESS Committee.
- 3.5 The Chairman of the ESS Committee shall be the Chairman of the meeting. If at any meeting the Chairman is not present, the members present may choose one of their members to be the Chairman of the meeting.
- 3.6 A resolution put to vote shall be decided by a majority of vote of the members present and each member shall have one vote. In the case of an equality of votes, the Chairman shall have a second or casting vote.
- 3.8 The Chairman of the ESS Committee shall report to the Board on any matter that should be brought to the Board's attention, and provide the recommendations of the ESS Committee that require the Board's approval.

#### **4.0 Reserved Matters**

- 4.1 The following matters shall be matters reserved for the Board:
- 4.1.1 The determination of any special terms to apply to offers and/or ESS to Grantees who are employed by a subsidiaries or Group Company in jurisdictions outside Malaysia as may be considered necessary or appropriate to accommodate for differences in applicable law, tax, policy or custom and the approval of such supplements to or amendments, restatements or alternate versions of the AZRB ESS made in relation thereto; and
- 4.1.2 In the event of any take-over offer being made for the issued share capital of the Company or any corporate proposal (including but not limited to a selective capital reduction exercise), the determination on the alteration of any ESS Period applicant, the alteration of any Commencement Date and/or Termination Date, the determination to alter the terms of any ESS.

#### **5.0 Power of the ESS Committee**

- 5.1 In carrying out its duties and responsibilities, the ESS Committee shall have the following power and authority, in accordance with the procedures to be determined by the Board and at the cost of the Company:
- 5.1.1 Have the resources which are required to perform its duties; and

- 5.1.2 Have unlimited access to all the information and documents relevant to its activities, including but not limited to the following:
- i. The full name and job title of a Grantee;
  - ii. The date of commencement of his/her employment with AZRB; and
  - iii. His/her ESS allocation.

## **6.0 Secretary of the ESS Committee**

The Director of Human Capital and Corporate Services is the secretary of the meeting. The agenda for each ESS Committee meeting, with due notice of the issues to be discussed, shall be sent to all members of the ESS Committee and to any other persons who may be required to attend. The Chairman of ESS Committee shall as soon as practicable submit a report on each meeting to the Board. All minutes of meetings shall be made available for inspection by the members of ESS Committee and the Board.

## **7.0 Review of Terms of Reference**

- 7.1 The ESS Committee Terms of Reference shall be reviewed by the Board annually or where necessary to ensure its relevance in assisting the Board to discharge its duties with the changes in the Company Laws and Regulations that may arise from time to time and to remain consistent with the Board's objectives and responsibilities.

## **8.0 Effective Date and Amendment**

- 8.1 There terms of Reference are effective as of the date they are adopted by the Board, and they will remain until modified, superseded or cancelled by appropriate Board action.

**APPENDIX 6**

**LIST OF BOARD AND BOARD COMMITTEE MEMBERS**

**BOARD OF DIRECTORS**

1. Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (*Chairman & Independent Non-Executive Director*)
2. Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda (*Non-Independent Non-Executive Director*)
3. Dato' Sri Wan Zakariah bin Haji Wan Muda (*Group Managing Director*)
4. Dato' W Zulkifli bin Haji W Muda (*Deputy Group Managing Director 1*)
5. Dato' Roslan bin Tan Sri Jaffar (*Deputy Group Managing Director 2*)
6. Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng (*Independent Non Executive Director*)
7. Tan Sri Dr Madinah binti Mohamad (*Independent Non-Executive Director*)

**AUDIT AND RISK COMMITTEE**

1. Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (*Chairman*)
2. Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng  
*Secretary: Company Secretary*

**NOMINATION COMMITTEE**

1. Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng (*Chairman*)
2. Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad  
*Secretary: Company Secretary*

**REMUNERATION COMMITTEE**

1. Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda (*Chairman*)
2. Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
3. Dato' Sri Wan Zakariah bin Haji Wan Muda  
*Secretary: Company Secretary*

**EMPLOYEES' SHARE SCHEME COMMITTEE**

1. Dato' Sri Wan Zakariah bin Haji Wan Muda (*Chairman*)
2. Dato' W Zulkifli bin Haji W Muda
3. Dato' Roslan bin Tan Sri Jaffar
4. Wan Shariman bin Wan Mohamed  
*Secretary: Director, Corporate Services*