



# **A-RANK BERHAD**

(Company No. 633621-X)  
(Incorporated in Malaysia)

## **BOARD CHARTER**

(V2-2017 - Approved by Board on 27 September 2017)

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## **1. INTRODUCTION**

The Board of Directors ("Board") of A-Rank Berhad ("A-Rank") is committed to ensuring that the standards of corporate governance pursuant to the Malaysian Code on Corporate Governance ("Code") that this Board Charter (the "Charter") is established and are practiced throughout the Company and its subsidiaries (collectively the "Group") to achieve its objectives to protect and enhance shareholders' value, safeguard the Group's assets and improve the performances of the Group.

Hence, the Board will continue to evaluate the Group's corporate governance procedures, in so far as they are relevant to the Group, bearing in mind the nature of the Group's businesses and the size of its business operations.

## **2. THE BOARD**

The Board is responsible for the monitoring of A-Rank's business and affairs on behalf of shareholders with a view to enhance long term shareholder value whilst taking into account the interests of other stakeholders and maintaining high standards of transparency, accountability and integrity.

### **2.1 Roles and Responsibilities of the Board**

The principal responsibilities of the Board are:

- review and approve strategies, business plans and significant policies and monitor management's performance in implementing them;
- oversee and evaluate the conduct and performance of the Group;
- review the adequacy and integrity of the Group's internal control systems and management information systems which include appropriately sound framework/ systems of reporting and to ensure regulatory compliance with the applicable laws, regulations, rules, directives and guidelines;
- review the risk management guidelines, procedures and standards to ensure they provide effective governance of the Group's risk taking activities;
- delegates certain responsibilities to the various Board Committees with clearly defined terms of reference to assist the Board in discharging its responsibilities;
- overseeing the development and implementation of a shareholder communications policy for the company; and
- Succession planning for Board, including the implementation of appropriate systems for recruiting, training, determining the appropriate compensation benefits and where necessary replacing any member of the Board.

In overseeing the conduct of the Group's businesses, the Board shall ensure that an appropriate financial planning, operating and reporting framework as well as an embedded risk management framework are established. Elements under this combined framework include the operating plan and budget, financial statements, divisional strategic/performance reviews reports and risk management reports.

## **2. THE BOARD** *(Cont'd)*

### **2.2 Code of conduct for directors**

The Board will adopt the Code of Conduct in respect of their behavior:

- to act in the best interest of the Group and its shareholders with integrity and in good faith, with due diligence and care;
- to act within the scope of their responsibilities;
- to devote sufficient time to their responsibilities;
- to understand, identify and measure the significant risks to which the Group is exposed in its business activities;
- to keep the Board discussions and deliberations confidential;
- not to make improper use of information gained through the position as a director;
- not to take improper advantage of the position of director;
- to maintain sufficient detailed knowledge of the Group's business and performance to make informed decisions;
- to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions of the Board; and
- to report to the Board on any potential conflict of interest.

### **2.3 Formal Schedule of Matters Reserved for the Board's Decision**

The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Group is firmly in its hands. This acts as a safeguard against misjudgments and possible ultra vires.

The schedule is updated regularly and shall include the following:

- Acquisitions and disposals of businesses of the Group;
- Acquisition and disposal of assets and / or investment which exceeds 5% of the Group's net asset;
- Adopting or amending any Terms of Reference of any Board Committee;
- Adoption of new/change in accounting policy
- Appointment and resignation of Company Secretary;
- Appointment and resignation of Director;
- Approval of quarterly financial results, Annual Report and Audited Financial Statements;
- Circulars to shareholders;
- Convening of general meetings;
- Determining level of authority;
- Determining risk management policies;
- Material Agreements that are not in the normal course of business;
- Material capital expenditure and/or investment which exceeds 5% of the Group's net asset;
- Material litigation that is not in the ordinary course of business;
- Proposal to amend Memorandum and Articles of Association;
- Proposal to increase/decrease in capital;
- Recommendation of dividend;
- Recommendation of Director's fees; and
- Review and approve Related Party Transactions and/or Recurrent Related Party Transactions.

### **3. BOARD STRUCTURE**

Good governance principles require independence, transparency and flexibility. The Board acknowledges the importance of Board structure.

#### **3.1 Size and Composition**

Pursuant to the Articles of Association, constituting part of the Constitution of the Company, the Board of Directors shall consist of a minimum of two (2) and not more than nine (9) Directors.

In compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements"), the Company shall ensure that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are Independent Non-Executive Directors.

#### **3.2 Appointment, Vacation of Office and Removal of Directors**

Reference shall be made to the Listing Requirements, Companies Act 2016 and the Company's Articles of Association with regards to the appointment, vacation of office and removal of Directors.

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination Committee. New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Group.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.

The factors to be considered by the Nomination Committee and the Board in its review of potential candidates include:

- whether the candidate has exhibited behavior that indicates he or she is committed to the highest ethical standards and values;
- whether the candidate has had broad business and professional experience indicating that he or she will be able to make significant and immediate contribution to the Board's discussion and decision-making;
- whether the candidate has special skills, expertise and background that add to and complement the range of skills, expertise and background of the existing directors;
- whether the candidate has had a successful career that demonstrates the ability to make the kind of important and sensitive judgement that the Board is called upon to make; and
- whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director.

### **3. BOARD STRUCTURE** *(Cont'd)*

#### **3.3 Re-election**

The Nomination Committee is responsible to review and recommend to the Board for the re-election of directors who will retire at each Annual General Meeting (“AGM”) of the Company.

Pursuant to Article 117 of the Articles of Association, constituting part of the Constitution of the Company, all Directors appointed by the Board shall hold office only until the next AGM following their appointment and shall then be eligible for re-election.

Pursuant to Article 112 of the Company’s Articles of Association, constituting part of the Constitution of the Company, that at least one third (1/3) of the Directors including the Managing Director shall be subject to retirement by rotation at least once in every three (3) years at each AGM, but shall be eligible for re-election.

The resolution on re-election of each Director is voted on separately.

#### **3.4 Clear Functions of the Board and Management**

The roles of the Chairman and Managing Director of the Company are distinct and separate with individual responsibilities. Each of them has clearly defined duties and authority thus ensuring balance of power and greater capacity for independent decision-making.

##### **3.4.1 Role of the Chairman**

The Chairman of the Board will be either Executive or Non-Executive.

Where the Chairman of the Board is not an Independent Non-Executive Director, the Board should comprise a majority of Independent Directors to ensure a balance of power and authority on the Board.

The Chairman carries out a leadership role in the conduct of the Board and its relations to shareholders and other stakeholders.

The Chairman of A-Rank is expected to fulfill the following responsibilities:

- representing the Board to shareholders;
- chairing Board meetings and Shareholders' General Meeting;
- assisting in Board discussions to key issues facing the Group;
- arranging regular evaluation of the performance of the Board, its Committees and individual Directors;
- ensuring effective communication with shareholders and relevant stakeholders;
- providing appropriate leadership to the board and the Group; and
- performing other responsibilities assigned by the Board from time to time.

### **3. BOARD STRUCTURE** *(Cont'd)*

#### **3.4.2 Roles of the Managing Director**

The Managing Director is primarily responsible for:

- assisting 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;
- providing assurance to the Board on the adequacy and effectiveness of the risk management and internal control systems, in all material aspects, annually, jointly with the Finance Manager (or person primarily responsible for the management of the financial affairs of the Group, by whatever name called);
- implements the policies, strategies and decisions adopted by the Board;
- executive responsibility for the day-to-day operation of the Group's business;
- providing an avenue for whistle-blowing; and
- all Board authorities conferred on the Management is delegated through the Managing Director and this will be considered as the Managing Director's authority and accountability as far as the Board is concerned.

#### **3.4.3 Roles of the Executive Director**

The Executive Director is primarily responsible for:

- primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group;
- establishing and reviewing the risk management framework and internal control system across the Group;
- ensures that the financial management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations;
- provides effective leadership to the Group and is responsible for ensuring high management competency and that an effective management succession plan is in place to sustain continuity of operations;
- is the conduit between the Board and Management in ensuring the success of the Group's governance and management functions; and
- implements the policies, strategies and decisions adopted by the Board.

### **3. BOARD STRUCTURE** *(Cont'd)*

#### **3.5 Independent Directors**

##### **3.5.1 Definition of Independent Director**

The definition of an independent director is:

- not an executive director of the listed issuer or any related corporation of such listed issuer (each corporation is referred to as "said Corporation");
- not been within the last two years and is not an officer (except as a non- executive director) of the said Corporation. For this purpose, "officer" has the meaning given in section 2 of the Companies Act 2016;
- not a major shareholder of the said Corporation;
- not a family member of any executive director, officer or major shareholder of the said Corporation;
- not acting as a nominee or representative of any executive director or major shareholder of the said Corporation;
- not been engaged as an adviser by the said Corporation under such circumstances as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities") or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by Bursa Securities; and
- not engaged in any transaction with the said Corporation under such circumstances as prescribed by Bursa Securities 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 applicant or listed issuer) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by Bursa Securities.

##### **3.5.2 Tenure of Independent Directors**

The tenure for an Independent Director shall be for a cumulative term of nine (9) years since appointment as an Independent Director.

The Independent Director may continue to serve on the Board beyond the 9-year tenure provided the Independent Director is re-designated as a Non-Independent Director. If the Board intends to retain an Independent Director beyond 9 years, it must justify and seek annual shareholders' approval.

##### Senior Independent Non-Executive Director

The Board shall also identify from amongst its members a Senior Independent Non-Executive Director to whom concerns of fellow Directors, shareholders or stakeholders may be conveyed.

### **3. BOARD STRUCTURE** *(Cont'd)*

#### **3.5 Independent Directors** *(Cont'd)*

##### **3.5.3 Role of the Independent Non-Executive Directors**

An Independent Non-Executive Director is Independent of management and free of any significant business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and Independent judgment, and who otherwise meet the criteria for independence.

The Independent Non-Executive Directors provide Independent judgment, experience and objectivity without being subordinated to operational considerations.

The Independent Non-Executive Directors help to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The views of the Independent Non-Executive Directors should carry significant weight in the Board's decision-making process.

The Board undertakes to assess the independence of the Independent Non-Executive Directors on an annual basis upon readmission or when any new interest or relationship develops.

#### **3.6 Time Commitment**

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively, one of the criteria is they must not hold directorships in more than five (5) public listed companies as required by the Listing Requirements. Before accepting any new Directorship in listed issuers, Directors shall notify the Board, the notification of which shall include an indication of time that will be spent on the new appointment.

##### Attendance at Meetings

Directors are expected to attend the Company's Meeting on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and materials that are important to the Board's understanding of the business to be conducted at a Board or Committee meeting should be distributed to the directors prior to the meeting, in order to provide sufficient time for review.

Management staff may be invited to attend Board meetings to provide the Board with detailed explanations and clarifications.

#### **3.7 Assessment and Evaluation**

The Nomination Committee shall conduct an annual review of the Board's performance and effectiveness of the Board and Board Committees, including individual Directors, annually, with the assessment report, together with a report on the Board balance covering the required mix of skills, experience and other qualities of Board members for discussion at the full Board.

### **3. BOARD STRUCTURE** (Cont'd)

#### **3.8 Directors' Training**

The Board recognises that in order to be kept abreast with the developments of the marketplace, law and regulations and corporate governance, it is imperative to attend relevant training programmes on a continuous basis.

In meeting the expectations of the regulators and the public, the Directors will attend the following types of programme:

a) Mandatory Accredited Programme

This program is required by Listing Requirements for newly appointed directors who sit on boards of public listed companies for the first time.

b) Continuous Education Programme / Training

The Directors are encouraged to evaluate their own training needs from time to time to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment.

#### **3.9 Company Secretary**

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.

The primary responsibilities of the Company Secretary shall include:

- ensuring that Board procedures and applicable rules are observed;
- maintaining records of the Board and ensure effective management of the Company statutory records;
- preparing comprehensive minutes to document Board proceedings and the deliberation, in terms of the issues discussed, and the conclusions thereof, in discharging its duties and responsibilities;
- carrying out other functions as deemed appropriate by the Board from time to time;
- timely dissemination of information relevant to Directors' roles and functions and keeping them updated on new or evolving regulatory requirements; and
- advise Directors of their obligations to adhere to matters relating to disclosure of interest in securities and conflict of interest in a transaction involving the Company; prohibition on dealing in securities during closed period and restrictions on disclosure of price-sensitive information.

The Company Secretary will provide the necessary information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Group.

The Directors have unlimited access to the professional advice and services of the Company Secretary.

## **4. BOARD COMMITTEES**

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees with each operating within it is clearly defined terms of reference. The Chairman of the various Committees will report to the Board on the outcome of the Committee meetings. The Board has established the following Committees to assist the Board in the execution of its duties:

### **4.1 Audit Committee**

The Audit Committee shall assist the Board in examining the Group's matters pertaining to the financial reporting, risk management and internal control environment, internal and external audit process, related party transaction and conflict of interests situation, and to submit to the Board its recommendation and/or reports on matters within its purview or other matters of the Group referred to it by the Board, for the Board's consideration.

### **4.2 Nomination Committee**

The Nomination Committee shall assist the Board in assessing and recommending to the Board the candidature of Directors and boardroom diversity, appointment of Directors to board committees, review of the Board's succession plans and training programmes, and to carry out periodic review on the composition and size of the Board, including the performance of individual Directors so to assess the appropriateness and effectiveness of the Board as a whole.

The actual decision as to who shall be nominated shall be the responsibility of the Board after considering the recommendations of the Nomination Committee.

### **4.3 Remuneration Committee**

The Remuneration Committee shall assist the Board to carry out periodic review on the remuneration policies and procedures to attract, retain and motivate Directors. The remuneration package should be aligned with the business strategy and long-term objectives of the Company and Group as well as to reflect the Board's responsibilities, expertise and complexity of the Group's activities.

The remuneration packages of Directors shall be a matter to be decided by the Board as a whole with the Director concerned abstaining in deliberation and voting on decisions in respect of his/her individual remuneration.

The Board may establish additional committees to assist it in carrying out its responsibilities. The Board may also delegate specified responsibilities to ad-hoc committees from time to time. Formal charters setting out the objectives, scope and administration of each committee have been and will be created.

Independent Non-Executive Directors play a leading role in these Committees. Management and third parties are co-opted to the Committees as and when required. The Terms of Reference of each of the above Committees are also published in the Annual Report.

## **5. BOARD PROCESSES**

### **5.1 Meeting**

#### **5.1.1 Board meetings**

a) Frequency of Meetings

The Board shall meet at least four (4) times a year at quarterly intervals with additional meetings to be convened where necessary to resolve any major and/or ad-hoc matters requiring immediate attention.

b) Quorum of the Board

A meeting of the Board will not be valid unless attended by not less than two (2) Directors.

c) The Chairman should establish a calendar of standard agenda items to be discussed at each meeting scheduled to be held over the course of the ensuing year and shall also establish the agenda for each Board Meeting. Each board member is free to suggest items for inclusion into the agenda or to raise subjects that are not on the agenda for that meeting, subject to the provisions of the memorandum and articles covering Board of Directors' meetings.

d) The Chairman, in consultation with the Managing Director and the Company Secretary, shall undertake the primary responsibility for preparing the Board's agenda. The agenda should include matters specifically reserved for the Board's decision.

#### **5.1.2 Annual General Meeting ("AGM")**

A-Rank regards the AGM as an important event in the corporate calendar of which all Directors and key senior executives should attend.

A-Rank regards the AGM as the principal forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from, A-Rank's shareholders.

The Chairman encourages active participation by the shareholders during the AGM.

The Chairman and, where appropriate, the Managing Director/ Executive Director responds to shareholders' queries during the meeting. Where necessary, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.

#### **5.1.3 Extraordinary General Meeting ("EGM")**

The Directors will consider requisitions by shareholders to convene an EGM or any other urgent matters requiring immediate attention of the Company.

## **5. BOARD PROCESSES** *(Cont'd)*

### **5.1 Meeting** *(Cont'd)*

#### **5.1.4 Conduct of Meeting**

The Chairman will determine the degree of formality required at each meeting while maintaining the decorum of such meetings.

In any event, the following general rules shall apply by the Chairman:

- to ensure that all members are heard;
- to retain sufficient control to ensure that authority of the chair is recognised so that a degree of formality can be re-introduced when it is required to make progress;
- to take care that the decisions are properly understood and well recorded; and
- to ensure that the decisions and debate, if any, are completed with a reasonably formal resolution recording the conclusions reached.

### **5.2 Access to Information**

The Directors have full and unrestricted access to all information concerning the Group. At each Board meeting, the Managing Director or Executive Director will brief the Board on the Group's activities, operations and other performance factors affecting the Group's business and performance.

All meetings will be preceded by an agenda. The relevant reports and Board papers will be distributed prior to the Board meetings to allow for sufficient time for the Directors to peruse so as enabling effective discussions and decision making during meetings.

The Directors also have access to internal and external auditors, without management's presence to seek explanations or additional information.

### **5.3 Independent Professional Advice**

The Board as well as any Director is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) either individually or collectively in furtherance of their duties at the Company's expenses, but the Directors will ensure, so far as is practicable, that the cost is reasonable.

## **6. DECLARATION OF INTEREST/CONFLICTS OF INTEREST**

The Directors must disclose to other Board members and a letter shall be given, in due course or within a reasonable period, to the Company Secretary for tabling to the Board members on any potential conflicts of interest which may exist or be thought to exist as soon as they become aware of the issue.

If a conflict or potential conflict situation exists, it is required that the interested Director shall be abstained from discussions and deliberations and voting and must not vote on the resolution approving the transactions.

The Audit Committee is entrusted to review related party transactions and conflict of interest situations and ensure that the transactions are not prejudicial to the interests of the Company or its non-controlling shareholders.

The Audit Committee may request the internal auditor or external consultants to review the effectiveness, adherence to and relevance of the Framework established by the Company for the purposes of identifying, monitoring, evaluating, reporting and approving the related party transactions and conflict of interest situations.

The Company Secretary must record every declaration so made in the minutes of the Board meeting.

The Board will ensure that potential conflicts of interest properly disclosure such as:

- related party transactions;
- potential misuse of corporate assets; and
- possible use of privileged information for personal advantage.

## **7. CODE OF ETHICS AND COMPLIANCE**

The Directors of a company shall at all times act in good faith and in the best interest of the company. Directors shall adhere to the general principles of integrity, objectivity, accountability, openness, honesty and leadership.

The Directors shall observe the Directors' Code of Ethics as follows:

- Compliance at all times with this Code of Ethics, the Board Charter and regulatory requirements expected to be adhered to by Directors of the Company;
- Observe high standards of corporate governance, in particular the practices set out in the Malaysian Code on Corporate Governance, the Main Market Listing Requirements of Bursa Securities, the Companies Act 2016 and the Capital Markets and Services Act 2007;
- Act in good faith and in the best interest of the Group;
- Not misuse information gained in the course of duties for personal gain or for any other purpose, nor seek the opportunity of the service as Directors to promote private interests or those of connected persons, firms, businesses or other organisations;
- Ensure the Group's resources are safeguarded and that the Group conducts its operations economically, efficiently and effectively at all times;
- Directors shall declare any personal, professional or business interests that may conflict with their responsibilities as Directors of the Group; and
- Directors shall adhere to the regulatory requirements pertaining to trading in A-Rank's shares, including insider trading.

## **8. FINANCIAL REPORTING**

The Board shall ensure that the Group's financial statements and other financial reports are reliable source of financial information, and are prepared in accordance with the relevant laws and regulations as well as the applicable financial reporting standards, so as to give a true and fair view of the state of affairs of the Group.

## **9. REVIEW AND APPROVAL**

The Board shall periodically review this Board Charter and make any necessary amendments/ improvements to ensure that it remains consistent with the Board's objectives as well as the latest applicable laws, rules or regulations. This Board Charter was reviewed and approved by the Board of Directors on 27 September 2017.

Footnote

The Board will formalise this Board Charter upon review and publish it on the Company website. The Board will review the Board Charter periodically to achieve the objectives of transparency, accountability and effective performance for the Group and the enhancement of corporate governance standards with the aim of enshrining the concepts of good governance as promulgated in the Code.