

**MENTIGA CORPORATION BERHAD**

**BOARD CHARTER**

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## INTRODUCTION

This Charter is prepared for the Board of Directors (“Board”) of Mentiga Corporation Berhad (“Mentiga”) and its subsidiaries (collectively the “Group”), insofar as it is applicable, to provide a concise overview of:

- The roles, functions, responsibilities & powers of the Board and the senior management
- An awareness to the various legislations and regulations affecting their conduct
- The powers delegated to various board committees of Mentiga
- The policies and practices of the Board in respect of matters such as corporate governance, code of conduct, conflicts and declaration of interest, board meeting procedures, appointment & assessment of directors

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## **1. BOARD OF DIRECTORS**

### **1.1 Role**

The Board is charged with leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.

**1.2** The Board understands that the responsibility for good Corporate Governance rests with them and therefore strives to follow the principles and best practices stated in the MCCG2012. The Board includes a narrative statement in its Company's Annual Report on the extent of compliance with the principles and best practices in Corporate Governance pursuant to Paragraph 15.26 of the Main Market Listing requirements of Bursa Malaysia Securities Berhad.

**1.3** The Company complies with the various guidelines issued by Bursa Securities Malaysia Berhad and the Securities Commission relating to disclosure and internal audit functions. In carrying out its responsibilities and powers as set out in this Charter the Board will at all times:

- Maintain good corporate governance standards
- Act honestly, fairly and diligently
- Act in accordance with laws and regulations
- Avoid or manage conflicts of interests
- Achieve and maintain community respect as a good corporate citizen

## **2. BOARD COMPOSITION**

### **2.1 Principles**

The composition of the Board shall be determined using the following principles:

- a. The number of board members shall be governed and shall not exceed the maximum as set out in the Company's Articles of Association.
- b. The composition of the Board viz-a viz executive versus independent directors shall at all times be in compliance with the Main Market Listing Requirements of Bursa Securities Malaysia Berhad.
- c. The Board shall comprise members with an appropriate range and mix of skills, experience, expertise and diversity. The criteria for appointment of new directors shall be reviewed and recommended by the Nomination Committee.
- d. The Chairman and Managing Director are required to be held by separate persons with clear division of responsibilities between them.

- e. The position of the Chairman of the Board shall be filled by a non-executive director. This does not prevent another director from chairing all or part of a meeting in the absence of the Chairman.
- f. The Chairman and/or the Managing Director are the official spokespersons for the Board unless otherwise determined.

## **2.2 Board Review & Assessment**

The Nomination Committee reviews and recommends the criteria for appointment of new directors. In addition the Board periodically conducts a formal review of its own performance as described in section 6. The various mechanisms will act as a regular check on the composition of the Board and the appropriateness of the mix of skills, experience, expertise and diversity of the Board.

## **2.3 Role of Chairman**

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:

- a) leading the Board in setting the values and standards of the Company;
- b) maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
- c) ensuring the provision of accurate, timely and clear information to Directors;
- d) ensuring effective communication with shareholders and relevant stakeholders;
- e) arranging regular evaluation of the performance of the Board, its Committees and individual Directors;
- f) facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors.
- g) Meets with other non-executive directors without the presence of other executive directors or senior management
- h) Provides feedback to each individual director in relation to his/her contributions and performance, as appropriate.

The Chairman, in consultation with the CEO and the Company Secretary, sets the agenda for Board meetings and ensures that all relevant issues are on the agenda.

The Chairman is responsible for managing the business of the Board to ensure that:

- all Directors are properly briefed on issues arising at Board meetings.
- sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board discussion.
- the issues discussed are forward looking and concentrates on strategy.

The Chairman will have no casting vote if two (2) Directors form a quorum, or if there are only two (2) Directors competent to vote on the question at issue.

## **2.4 Independent Directors**

The Board recognises that various principles and factors are relevant in determining independence and considers that true independence is a matter of judgement in a particular circumstance. The criteria for determination of independence of a director will be guided by the Main Market Listing Requirements of Bursa Securities Malaysia Berhad.

The Board may appoint a Senior Independent Director to whom shareholders' concern may be conveyed.

## **3. ROLE OF THE BOARD**

### **3.1 Key Responsibilities (of Board / CEO & Definition of Authority Limits)**

Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Company, setting the aims of the Management and monitoring the performance of the Management for the benefit of the shareholders and other stakeholders of the Company. The Board is accountable to shareholders for the performance of the Group. In furtherance of its duties the Board, whether as a full Board or in their individual capacity under an agreed procedure can take on independent professional advice at the Company's expense. All Directors have access to the advice and services of the company secretary.

The Board assumes the following specific duties:

- Establishing and reviewing the strategic direction of the Company;
- Overseeing and evaluating the conduct of the Company's businesses including significant actions that are outside the Company's normal course of business;
- Identifying principal risks, overseeing and ensuring that the risks are properly managed, controlled and mitigated;
- Establishing a succession plan including appointing, training, fixing the compensation of and where appropriate replacing senior management;
- Developing and implementing an investors relations programme or shareholder communication policy; and
- Reviewing the adequacy of the internal control systems and management information systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- Establishment of the Code of Ethics and Code of Conduct of the Company;
- Ensuring the Company's strategies promote sustainability;
- Ensuring the Company has appropriate corporate disclosure policies and procedures.

The Board reserves full decision-making powers on the following matters:

- Conflict of interest issues relating to a substantial shareholder or a Director;

- Material acquisitions and disposition of assets not in the ordinary course of business;
- Investments in Capital projects;
- Authority levels;
- Treasury policies;
- Risk management policies; and
- Key human resource issues.

### **3.2 Senior Appointments**

The Board will consider, with the benefit of recommendations from Board Committees:

- a. The appointment, terms of appointment, delegation of authority to, review of performance of and removal of the Managing Director and other senior management staff.
- b. The appointment, terms of appointment and review of performance and removal of other executive directors.
- c. The appointment and review of performance and removal of the Chief Financial Officer or Group Financial Controller.
- d. Succession planning for the Managing Director, other senior management staff and their direct reports.
- e. The appointment, review of performance and removal of the Company Secretary.

### **3.3 Relationship with Senior Management**

- a. Review and approve the organisation chart for senior management.
- b. Evaluate and reward senior management including the remuneration and incentives offered.
- c. Assess the performance of the Group.

### **3.4 Business Strategy**

- a. Approve the annual budget and strategic plans
- b. Evaluate the performance of the Group against strategies and business plans
- c. Assess the suitability of the Company's overall strategies, business plans and resource allocation.
- d. Approve the capital and operating expenditure budget and any alterations to its.
- e. Set the authority limits governing capital and operating expenditure and the Group's resource allocation.

### **3.5 Relationship with Shareholders**

To ensure that shareholders are well informed the Company has adopted the following procedures:

- i. Shareholders can gain access to information on the Company through the Company's website [www.mentiga.com.my](http://www.mentiga.com.my);
- ii. The Company's annual reports and financial results are also available on the Company's website;
- iii. All announcements made to the Bursa Securities Malaysia Berhad along with related information are posted on the Company's website after they have been made to Bursa Securities Malaysia Berhad; and
- iv. Shareholders are encouraged to participate at the general meetings and to communicate and interact with the Board on the Group's performance and other matters of concern or interest. At general meetings shareholders are given opportunity to seek clarification and provide feedback on any matters pertaining to the business and financial performance of the Group.

The Board encourages shareholder participation at general meetings and promotes effective communication and proactive engagements with shareholders.

### **3.6 Financial Matters**

- a. Approve the annual and interim reports of the Company
- b. Approve the accounting policies
- c. Approval of the appointment of the Internal Auditor and audit plan
- d. Approval of major borrowings or giving of security over the assets of the Group.
- e. Acceptance of audit reports including management letters.

### **3.7 Other matters**

- a. Approval of donations and sponsorships above approved limits.

## **4. BOARD RENEWAL**

- 4.1 All directors are required to submit themselves for re-election at least once every three years or such earlier time as provided under the Company's Articles of Association.
- 4.2 Re-election is subject to shareholders approval. When recommending a director for re-election the Board will balance its composition, skills and competencies with the tenure, performance, skills and competencies of the incumbent director.
- 4.3 The Nomination Committee will assist the Board annually by reviewing the Board's composition and tenure and makes its recommendation to the Board on all nominations.

## **5. NEW APPOINTMENTS**

- 5.1 The Nomination Committee sets and reviews the criteria for appointment of new directors and appointments to Board Committees. Upon the appointment of a new

director by the Board the new director will undergo and induction programme where he/she will be advised of the Company's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and business plans as well as his/her principal duties and responsibilities and briefed on the restrictions to which he/she is subject to in relation to price-sensitive information and dealings in the Company's securities. All new directors are provided with appropriate briefings on the Company's affairs. The Company Secretary is primarily responsible for the induction programme with appropriate assistance from the other senior directors.

5.2 A director's fundamental duty is to exercise sound business judgement according to what he/she believes to be in the best interests of the Company. Each independent director is expected to serve on at least one Committee of the Board. The Company views an independent director's service on the boards of more than five other significant for-profit or not-for-profit entities as being inconsistent with the director's ability to discharge his/her duties as an independent director of the Company.

### 5.3 **Criteria for Board Members**

- a. A candidate for appointment as a director of the Company should have several years of successful high-level executive experience in a significant for-profit business entity during which the candidate was responsible for strategic decisions involving operational, technological, marketing, financial, human resource and/or organisational development matters. The candidate should have professional skills that complement the skills of existing board members. The Board will recruit new directors who can add strength in areas that are important to the Company's long-term success and who possesses skills that are appropriate for the current needs of the Board.
- b. Each candidate nominated shall first be assessed by the Nomination Committee in consultation with the Chairman and the Managing Director and be subject to the review of the remuneration package by the Remuneration Committee. The candidate appointed to the Board will be subject to retirement at the forthcoming Annual General Meeting following his/her appointment and would be subject to re-election by the shareholders of the Company.
- c. The Board supports the management's efforts to build a diverse organisation throughout the Group. The Group's aims to attract and develop a highly qualified and diverse workforce and works to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. Senior positions are very demanding for all, more so with regards to the core businesses of the Group. The Board acknowledges and supports the importance of diversity, including gender, on the Board and

aspires to have a minimum of 30% female representation on the Board by 2016. Subject to the suitability of candidates who have the requisite expertise in the core business segment of the Group, we will appoint new directors who fit the skills criteria and gender balance when recruiting additional directors and/or filling vacancies which arises in the Board,.

- d. Directorships held by any Board member at any one time shall not exceed the limits as set out in the Main Market Listing Requirements. Executive Directors should not take on any new appointments to the Board of other listed companies without the prior notification and consent of the Chairman of the Company.

## **6. REVIEW OF BOARD ASSESSMENT**

### **6.1 Review of Board**

The Board is responsible for establishing performance criteria including job description and key performance indicators. The Board is to formally conduct an annual performance review as advised by the Nomination Committee.

### **6.2 Review of Independent Directors**

The Board is responsible for establishing the criteria on independence of directors and is to formally conduct an annual review on the independence of directors as advised by the Nomination Committee.

### **6.3 Review of Senior Management**

The Board is responsible for establishing performance criteria including job description and key performance indicators as well as corporate objectives which is to be met by the Senior Management. The Board is to formally conduct an annual performance review as advised by the Nomination Committee.

### **6.4 Board training program**

The Board believes in educational/training programmes to update the Board in relation to new developments pertaining to laws and regulations and the changing commercial environment in which the Group operates which may affect the Board and the Group.

In addition to the Mandatory Accredited Programme (MAP) as required by Bursa Securities Malaysia Berhad, Board members are also encouraged to attend training programmes which are relevant to the Company's operations and business. The Board will assess the training needs of the Directors and disclose in the Annual Report the trainings attended by the Directors.



## **7. DIRECTORS' REMUNERATION**

- 7.1** The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.
- 7.2** The level of remuneration for the CEO and Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies.
- 7.3** Non-Executive Directors are entitled to participate in the Company's Employee Share Options Scheme (ESOS) subject to approval at a General Meeting. Non-Executive Directors who participated in the ESOS are prohibited to sell, transfer or assign the shares within one (1) year from the date of offer of such options.
- 7.4** No Director other than the Managing Director and Executive Directors shall have a service contract with the Company.
- 7.5** A formal review of the Directors' remuneration is undertaken annually and there is adequate disclosure in the Annual Report with a note on the remuneration of Directors.

## **8. CONFLICTS & DECLARATION OF INTERESTS**

The Companies Act, 1965 and the Main Market Listing Requirements imposes obligations on directors in relation to disclosure of interests. Specifically these provisions and regulations relate to:

- a. Material personal interest in any matter relating to the affairs of the Company for which a director will be required to give notice to other directors of his interest except in certain circumstances specified in the provisions or regulations.
- b. Where a director has a material personal interest in any matter that is being considered at a board meeting he/she must not, except with the approval of the Board be present, while the matter is being considered or vote on the matter.
- c. Disclosure of details of his/her interest or change in interest in the Company's securities on appointment within the prescribed period (or such lesser period as set out in any specific agreement)

Each director has a duty to maintain the confidentiality of information he/she obtained or learnt by virtue of his/her position as director. Disclosure of such information by the director should only be made after consultation with the Chairman or the Board.

The director does not participate in deliberations of the Board or a Board Committee on matters in which he is or is deemed interested.

#### **9. DELEGATION TO MANAGEMENT**

The Board retains the ultimate responsibility for the strategic direction and control of the Group. The Board delegates management of the Company's resources to the senior management team under the leadership of the Managing Director to deliver the strategic direction and goals determined by the Board. The Board will monitor the performance of the senior management and the Managing Director will annually conduct a formal performance review on the senior management and report the same back to the Board.

#### **10. DELEGATION TO COMMITTEES**

The Board establishes Committees to help discharge its responsibilities. For each standing Committee the Board adopts a formal Terms of Reference setting out the matters relevant to the composition, role, function, responsibilities and administration of such Committees.

The Board has, as at the date of this Charter, established the following committees and amongst others they have been charged with the following:

- **Audit Committee**
  - i. Ensure the financial statements comply with applicable financial reporting standards
  - ii. Establish policies and procedures to assess the suitability and independence of external auditors
  - iii. Establish policies and procedures governing circumstances for contracts of non-audit services to be entered into with external auditors
  - iv. Review and assess the key business risks of the Company and the risk management framework of the Group
  - v. Review and implement the internal control systems of the Group
  - vi. Review and assess the competency of the internal audit function of the Group
  
- **Nomination Committee**
  - i. Assess and recommend new Directors to the Board.
  - ii. Undertake the annual review on the composition of the Board in terms of appropriateness of size, determine the required mix of skills, experience and core competencies and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors.
  - iii. Implement and conduct assessment on the effectiveness of the Board as a whole, the Board Committees and individual contribution of each Board member.

- iv. Assess and recommend to the Board the re-election of Director who are due for retirement in accordance with the Articles of Association of the Company.
  - v. Undertake an annual assessment on the independence of independent directors.
- **Remuneration Committee**
    - i. Establish formal and transparent remuneration policies and procedures
  - **ESOS Committee**
    - i. Administrating and regulating the Company's Employee Share Option Scheme
  - **Tender Committee**
    - i. Establishing formal policies and procedures with regards to the administration of tenders applied and given by the Company.

Committee Terms of Reference are reviewed annually. All Committees shall have access to the appropriate external and professional advice needed to assist the Committees in fulfilling its role.

The Board also delegates specific functions to Ad Hoc Committees on a "as need" basis. The terms of reference and powers delegated to any such committee will be agreed by the Board at the time the Committee is established as set out in the Board resolutions.

## **11. BOARD OPERATION STANDARDS & POLICIES**

### **11.1 Board Meetings**

#### **11.1.1 Schedule**

The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities. Members of the Management who are not Directors may be invited to attend and speak at meetings on matters relating to their sphere of responsibility.

#### **11.1.2 Attendance**

The Company Secretary attends meetings of the Board and Board Committees as secretary. Senior Management are invited to attend meetings (or parts of meetings) from time to time where the Board requires their involvement or assistance.

### **11.1.3 Minutes**

Full minutes of each meeting are kept by the Company Secretary and are available for inspection by any director during office hours. All minutes are signed by the Chairman and entered into the minutes book and are available for inspection by any director.

### **11.1.4 Confidentiality**

All attendees at Board Meetings, whether as officers and/or fiduciaries, are required to keep all information presented to (whether written or oral) or discussed during the meetings confidential.

### **11.1.5 Board Papers**

The Company will provide the directors with timely and quality information in a form and manner appropriate for them to discharge their duties effectively. The agenda and comprehensive Board papers are to be circulated in advance of each Board meeting. The Company Secretary will supervise the filing and storage of all board papers.

## **11.2 Company Secretary**

All directors have access to the Company Secretary

## **11.3 Independent Advice**

Directors are able to obtain the advice of professional advisers, with the prior approval of the Chairman, to assist them to carry out their duties.

## **11.4 Directors & Officers Liability Insurance**

Directors are entitled to an appropriate level of Directors and Officers insurance coverage.

## **12. CODE OF CONDUCT**

The Board and management are expected to conduct themselves with the highest ethical standards, behave ethically and professionally at all times and to protect and promote the reputation of the Company.

### **12.1 Strategic Intent**

- **Narrow focus** - Focus on business segments where we believe we can produce attractive returns and with a high probability of success.
- **Build financial strength** - Achieve target shareholder equity levels in line with our industry peers and bring gearing down to a conservative level.
- **Improve financial performance** - Aim to deliver a higher level of revenue growth, a lower cost-income ratio, lower losses and higher return on capital.

## 12.2 Key Values

All directors and staff of the Group are to:

- Act honestly, fairly and professionally in all business dealings
- Foster a culture of integrity
- Work together to promote a safe, ethical and professional workplace.
- Comply with the laws, rules and regulations under which the Company conducts its business
- Respect the local communities wherever the Company operates

The Board is responsible for establishing, compliance and evaluating the effectiveness of the Company's Code of Business Conduct & Work Ethics.

## 12.3 Fraud & Whistle Blowing Policies

The Board has established a Fraud and Whistle Blowing Policy where Directors or employees are able to report violations of laws, rules and regulations or the Company's Code of Conduct and Ethics and potential ethic violations or non-compliance to appropriate personnel through, amongst other things, a whistleblowing hotline at [            ]

The Board is to review the Company's process to-

- i. Encourage employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation
- ii. Encourage employees to report violations of laws, rules and regulations or the Company's Code of Conduct and Ethics and potential ethic violations or non-compliance to appropriate personnel through, amongst other things, a whistleblowing hotline.
- iii. Inform employees that the Company will not allow retaliation for reports made in good faith

## 12.4 Corporate Disclosure Policies & Procedures

The Board has established Corporate Disclosure Policies and Procedures where guidelines are set out to regulate communications by the Company both internal and external.

**12.5 Sustainability Program**

**12.5.1 Environment**

The Board complies strictly to all environmental laws and regulations. With regards to the new planting and replanting process the Company whenever and wherever possible will strive to reduce the use of chemical fertilisers and will build up property retention ponds to avoid accidental pollution of waterways and rivers.

**12.5.2 Community**

The Company believes in being a responsible and caring organisation and recognises the importance of the public and community in determining the organisation’s agenda. The Company will whenever appropriate contribute to programmes undertaken by the local communities, governmental authorities and related interest groups to facilitate long-term beneficial resource development.

**12.5.3 Workplace**

The Company recognises that employees are important assets and believes in the constant upgrade of its employees’ skills, knowledge and experience via training. The Company also have a program to give cash rewards to the children of its employees who achieve excellent results in the government examinations and those who gain entry into any public and approved private universities and colleges.

The Company has also established a retirement benefit plan for its employees and will provide a lump sum gratuity payment to all employees who reach the retirement age of 55 years for males and 50 years for females.

**13. ADMINISTRATIVE MATTERS**

**13.1 Publication of Board Charter**

This Charter will be made available in the website of the Company.

**13.2 Review of Board Charter**

This Charter will be reviewed annually.

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