



**FRONTKEN**

**FRONTKEN CORPORATION BERHAD**

(651020-T)

(Incorporated in Malaysia under the Companies Act, 1965)

## **BOARD CHARTER**

**May 2013**



## **1. OVERVIEW**

The Board is primarily responsible for ensuring that Frontken has an appropriate corporate governance structure to ensure the creation and protection of shareholders' value.

The Board is also responsible for ensuring that management recognizes Frontken's legal and other obligations to all legitimate stakeholders. "Stakeholders" are groups that are likely to feel a social, environment, economic or financial impact from Frontken's actions. They include shareholders, customers, suppliers, employees, government regulators and members of the communities where Frontken operates and are affected by Frontken's activities.

Frontken's obligations to its Stakeholders require that appropriate accountability and control systems are in place.

This Board Charter explains Frontken's commitment to corporate governance. It is not an "all inclusive" document and should be read as a broad expression of principles.

## **2. BOARD ROLES AND RESPONSIBILITIES**

### **2.1 Composition of the Board**

The Board comprises of:

- (a) Directors with an appropriate range of skills, experience, and expertise;
- (b) Directors who have a proper understanding of, and competence to deal with, current and emerging issues of the business;
- (c) Directors who can effectively review and challenge the performance of management and exercise independent judgement; and
- (d) At least one-third of Independent Directors who had met the requirements prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board should be of a size and composition that is conducive to making decisions expediently, with the benefit of a variety of perspectives and skills, and in the best interest of the Group as a whole rather than of individual shareholders or other stakeholders.

### **2.2 The Board**

The Board is responsible for setting the strategic direction of the Group and monitors the implementation of that strategy by the management team, including:

#### **2.2.1 Strategy and Planning**

- (i) Establish overall business objectives and consider whether they continue to be appropriate in the context of business opportunities being pursued.
- (ii) Review and approve management strategies and plans designed to pursue business objectives and ensure they continue to remain prudent in the context of the objectives of the business, the economic environment, available resources and reasonable achievability of results.
- (iii) Approve and monitor the progress of major capital expenditure and acquisitions/divestitures.
- (iv) Establish procedures for the approval of all significant acquisitions and entering into major contracts and also approve all significant acquisitions and major contracts entered into outside the ordinary course of the Group's business.

- (v) Approve 12 months' operational budgets and evaluate results against budgets in the context of business objectives, strategies and operations plans being pursued.
- (vi) Approve all major changes to the structure of the organization.

### **2.2.2 Human Resource**

- (i) Define required Board's competencies and number and profile of Board members.
- (ii) Appoint Board members.
- (iii) Approve induction program for new Board members and ongoing training programs.
- (iv) Ensure easy access to internal and external sources of information and advice.
- (v) Manage performance of the Board as a whole and of the individual members.
- (vi) Appoint the Managing Director/Chief Executive Officer, review the performance of Managing Director/Chief Executive Officer and provide counseling and mentoring if and when required.
- (vii) Evaluate performance of senior management.
- (viii) Approve appointment and removal of the Company Secretary.
- (ix) Approve executive succession plans.

### **2.2.3 Remuneration**

- (i) Determine remuneration of Directors to ensure that they are consistent with sustainable achievement of business objectives, prudent management of operations and prompt ongoing assessments on the risks to which the company is exposed.
- (ii) Approve remuneration and contracts of senior management members on the recommendation of the Managing Director/Chief Executive Officer.
- (iii) Approve employees' share option schemes, if any, for submission to shareholders for approval at General Meeting and any other executive incentive schemes.

### **2.2.4 Capital Management and Financial Reporting**

- (i) Monitor and review the capital and solvency positions of the Group.
- (ii) Approve quarterly reports, audited financial statements and Annual Report.
- (iii) Approve dividend policy and dividend payments.
- (iv) Approve major financing arrangements.

### **2.2.5 Performance Monitoring**

- (i) Approve relevant financial and non-financial Key Performance Indicators (KPIs) to be reported by management.
- (ii) Audit Committee to conduct KPI review with Managing Director/Chief Executive Officer and senior management annually.
- (iii) Consider and approve any action/remediation plans to be implemented.

### **2.2.6 Risk Management**

- (i) Review major risks the Group is likely to be exposed to.
- (ii) Review risk management resources, structures and processes and consider and approve changes.
- (iii) Approve risk management strategies.
- (iv) Monitor compliance with all legal, tax and regulatory obligations.
- (v) Review and ratify systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies annually.
- (vi) Review the effectiveness of the Group's implementation of its risk management system.

### **2.2.7 Audit and Compliance**

- (i) Approve/re-appoint/replace the external auditors and recommend for approval by shareholders at General Meeting and fix their remuneration.
- (ii) Define the scope of the external audit function.
- (iii) Review the control environment and audit and compliance resources, structure and processes and consider and approve changes.
- (iv) Approve the scope of internal audit and compliance issues.
- (v) Review significant audit and compliance issues and consider and approve action and remediation plans.

### **2.2.8 Board Processes and Policies**

- (i) Decide the role and composition of Board committees.
- (ii) Approve delegated authorities.
- (iii) Define and execute a policy dealing with conflicts of interest.
- (iv) Define codes of conduct governing related-party transactions, dealings in securities by Directors and principal officers, and insider trading policy.
- (v) Approve policies dealing with Directors' liabilities, indemnities and insurance.

In discharging his/her duties, each Director must:

- (a) Exercise care and diligence;
- (b) Act in good faith in the best interests of the Group and its shareholders;
- (c) Not improperly use his/her position or misuse information of the Group;
- (d) Commit the time necessary to discharge effectively his/her role as a Director; and
- (e) Ensure that other commitments, including other directorships, do not interfere with their duties and responsibilities as a member of the Company's board.

All Directors are entitled to be heard at all meetings and should bring an independent judgment to bear in decision-making. It is expected that every director will make an effort to attend each board meeting and the meeting of any committee on which the Director sits. Attendance in person is preferred, but attendance by teleconference is permitted. Each Director should be familiar with the agenda for each meeting, have carefully reviewed all materials distributed in advance of the meeting, and be prepared to participate meaningfully in the meeting.

## **2.3 Role of Directors**

The Independent Directors are independent of management and are those who have the ability to exercise their duties unfettered by any business or other relationship and are willing to express their opinion at Board meetings free of concern about their position or the position of any third party. They ensure that the interests of all shareholders are taken into account by the Board and that the relevant issues are given objective and impartial consideration by the Board.

The Board does not believe it is possible to draft a list of criteria which are appropriate to characterize, in all circumstances, whether a Non-Executive Director is independent. It is the approach and attitude of each Non-Executive Director that is critical and this must be considered in relation to each Director while taking into account all other relevant factors, which may include those set out in paragraph 1.01 and PN13 of the Listing Requirements.

Directors are best able to determine if they have an interest or relationship that is likely to impact on their independence. As such, each Director is expected to advise the Chairman immediately if he/she believes that he/she may no longer be independent.

Each Director must immediately disclose to the Chairman (with a copy to the Company Secretary) all information relevant for determining whether the Director is independent, including details of entities in which the Director has a direct or indirect shareholding (or other interest), or is a director of.

## **2.4 Role of Chairman**

The Chairman is primarily responsible to lead the Board. The Chairman's responsibilities include:

- (a) Leading the Board in its responsibilities for the business and affairs of the Company and its oversight of management.
- (b) Overseeing the Board in the effective discharge of its supervisory role.
- (c) The efficient organization and conduct of the Board's function and meetings.
- (d) Facilitating the effective contribution of all Directors.
- (e) Briefing of all Directors in relation to issues arising at meeting.
- (f) The promotion of constructive and respectful relations between Board members and between the Board and the management.
- (g) Committing the time necessary to discharge effectively his/her role as Chairman.
- (h) Ensuring that there is regular and effective evaluation of the Board's performance.

In performing this role, the Chairman must work with senior management, manage the Board, and promote effective relations with shareholders, other stakeholders and the public.

## **2.5 Role of Board Committees**

The Board may from time to time establish Board Committee as is considered appropriate to assist in carrying out its duties and responsibilities.

The Board has established the following Board Committees to assist and advise the Board in fulfilling its duties and responsibilities:

- (a) Nomination Committee, to assist the Board in relation to:
  - Appointments and performance of directors;
  - Directors' induction program;
  - Committee membership; and
  - Senior management succession planning, appointment and termination.
- (b) Remuneration Committee, to assist the Board in relation to:
  - Remuneration policies for Directors;
  - Remuneration policies for the CEO, CFO and senior management;
  - Grant of ESOS.
- (c) Audit Committee, to assist the Board in relation to:
  - Assessing the reliability and integrity of information for inclusion in the Company's financial statements;
  - Enterprise-wide risk management;
  - Compliance with legal and regulatory obligations;
  - The integrity of the Group's internal control framework;
  - Safeguarding the independence of the external and internal auditors.

With the exception of certain limited delegations contained in their respective charters, recommendations of the Committees are to be referred to the Board for approval.

## **3. BOARD & BOARD COMMITTEE MEETINGS**

The Board schedules at least four meetings a year at quarterly intervals with additional meetings convened whenever urgent and important matters need to be deliberated or decisions are required. The Board ensures that its decision as well as the issues deliberated on before arriving at those decisions are properly documented and implemented.

The Audit Committee meets at least four times annually. The Nomination and Remuneration Committees meet at least once a year and also as and when required.

#### **4. ACCESS TO INFORMATION AND INDEPENDENT ADVICE**

The Board and Committees must be provided with the information they need to efficiently discharge their responsibilities.

The management must supply the Board and Committees with information in a form, timeframe and quality that enables them to effectively discharge their duties. All Directors are to receive copies of Board papers. Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Directors have the authority to seek any information they require from any employee of the Group and all employees must comply with such requests. It is expected that any significant issues are communicated to the Chairman, CEO, CFO or Company Secretary.

Any Director may take such independent legal, financial or other advice as they consider necessary at the Company's cost. Any Director seeking independent advice must first discuss the request with the Chairman who will facilitate obtaining such advice and, where appropriate, dissemination of such advice to all Directors.

#### **5. DEALINGS IN SECURITIES**

The Company imposes restrictions on the trading of securities by Directors and principal officers with undisclosed price-sensitive information. All Directors must adhere to the said policy.

#### **6. FINANCIAL REPORTING**

The Board shall aim to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly financial reports to the shareholders. The Board is assisted by the Audit Committee to oversee the Company's financial reporting process and the quality of the financial reporting.

#### **7. INVESTOR RELATIONS**

The Company is committed to promoting on-going and interactive communications with its shareholders. This link is achieved through the annual reports, the quarterly announcements and the shareholders' meetings. At the AGM and other general meetings, the Company uses this avenue to gather views of, and answers questions from the shareholders on all issues relevant to the Group. Shareholders participation is encouraged during the question and answer sessions in the general meetings, and for shareholders to provide suggestions and comments for consideration by management.

The Company's interactive website, [www.frontken.com](http://www.frontken.com), contained an Investor Relations section where the shareholders could also communicate with the Board through the designated Investor Relations officer.

#### **8. ORIENTATION AND CONTINUING EDUCATION**

New Directors will receive a comprehensive orientation from appropriate executives and staff regarding the business affairs of the Company. Directors are expected to remain abreast of issues and events in the sectors where the Group has an operating interest.

## **9. BOARD ASSESSMENT**

The Board and its Committees will evaluate their own performance and effectiveness annually with the objective of continuous improvements. Generally, board performance will be measured against the following key metrics, including:

- The effectiveness with which the Board functions, including satisfaction of Board members regarding the functioning of the Board;
- The extent to which the Company carries out its responsibilities to shareholders, employees, customers, governments and the public; and
- The quality of communications between the Board and management, including satisfaction of members of management and Board members regarding this communication.

The Nominations Committee is responsible for coordinating and overseeing the annual Board evaluation process in accordance with the charter of that Committee.

## **10. REVIEW OF BOARD CHARTER**

This Board Charter approved by the Board shall be reviewed at least once in a year to ensure that new laws, regulations or relevant developments having an impact on the discharge of the Board's responsibilities are taken into account.

Adopted by the Board on 21 May 2013.