



**SALCON BERHAD**  
**(593796-T)**

## **Board Charter**

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### **DEFINATION**

In this Board Charter:

“AA” means the Articles of Association which form part of the Constitution of the Company;

“Board” means the Board of Directors of the Company;

“Bursa Securities” means Bursa Malaysia Securities Berhad;

“Business” means the business of the Company and Group;

“CA” means the Companies Act, 2016;

“Company” means Salcon Berhad;

“CEO” means the Chief Executive Officer of the Company and Group;

“CFO” means the Chief Financial Officer of the Company and Group;

“COO” means the Chief Operating Officer of the Company and Group;

“Chairman” means the Chairman of the Board and is used in a gender-neutral sense;

“Company Secretary” means the Board secretary(ies) or the person(s) normally exercising the functions of a Board secretary;

“Group” means the Company and all its subsidiaries;

“Independent Director” is defined in accordance with Paragraph 1.01 of the Listing Requirements;

“Listing Requirements” means the Bursa Securities Main Market Listing Requirements;

“Management” means the management personnel of the Company;

“Senior Management” includes the Executive Directors, CEO, COO, CFO of the Company;

“Shareholders” means the shareholders of the Company.



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## **1. INTRODUCTION**

- 1.1 The Board regards Corporate Governance as vitally important to the success of the business of the Group and are committed towards adhering to high standards of corporate governance as guided by the Malaysian Code on Corporate Governance, the Listing Requirements and the CA, in its effort to discharge its duties in ensuring an appropriate and sound governance system is implemented throughout the Group and to safeguard the interests of all stakeholders as well as to enhance shareholders' value.

## **2. PURPOSE**

- 2.1 This Board Charter sets out the role, composition and responsibilities of the Board and is to ensure that all Board members are aware on their duties and responsibilities.
- 2.2 This Board Charter is to promote high standards of corporate governance and is designed to provide guidance and clarity for Directors and Management with regards to the role of the Board and its committees, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as the Board's operating practices. This Board Charter does not overrule or pre-empt the statutory requirements of Directors enshrined in the CA, the Income Tax Act, 1967 and other relevant statutes, including the conduct of the Board as stipulated in the AA, the Constitution of the Company. To the extent of any conflict between the terms of this Board Charter and a Constitution, that Constitution prevails.

## **3 THE BOARD**

### **3.1 Board Role**

#### **3.1.1 Duties and Responsibilities**

The Board assumes, amongst others, the following duties and responsibilities:

- a) together with Senior Management, promote good corporate governance culture within the company which reinforces ethical, prudent and professional behaviour;
- b) review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;



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- c) ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- d) supervise and assess management performance to determine whether the business is being properly managed.
- e) ensure there is a sound framework for internal controls and risk management;
- f) understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;
- g) set the risk appetite within which the board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- h) ensure that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and Senior Management;
- i) ensure that the Company has in place procedures to enable effective communication with stakeholders; and
- j) ensure the integrity of the company's financial and non-financial reporting.

### **3.1.2 Matters Reserved for the Board**

The following are matters which are specifically reserved for the Board:

- a) Material acquisitions and disposition of assets not in the ordinary course of business including significant capital expenditures;
- b) Strategic investments, mergers and acquisitions and corporate exercises;
- c) Authority levels;
- d) Treasury policies;
- e) Risk management policies;
- g) Changes to the management and control structure within the Group; and



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- h) Conflict of interest issues relating to a substantial shareholder or a Director including approving related party transactions.

### **3.2 Board balance and mix**

- 3.2.1 The Board should consist of qualified individuals with diverse skills, experiences, knowledge and perspectives. The AA provides a minimum of two (2) and a maximum of nine (9) Directors. The composition and size of the Board should be such that it facilitates the making of informed, critical decisions without limiting the level of individual participation, involvement and effectiveness.
- 3.2.2 At any one time, at least half of the Board members shall comprise of Independent Directors. The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations.
- 3.2.3 The Independent 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.
- 3.2.4 The Board may appoint a Senior Independent Director with the following roles:
  - i) Act as a sounding board to the chairman;
  - ii) Serves as an intermediary for other directors when necessary;
  - iii) Acts as points of contact for shareholders and other stakeholders particularly on concerns which cannot be resolved through the normal channels of the chairman and/or CEO;
  - iv) Provides leadership support and advice to the board in the event that the board is undergoing a period of stress;
  - v) Leads the succession planning and appointment of board members, including the future chairman and CEO; and
  - vi) Leads the annual review of board effectiveness, ensuring that the performance of each individual director is assessed objectively and holistically.



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### **3.3 Appointment**

- 3.3.1 The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination Committee.
- 3.3.2 Without limiting the generality of the foregoing, the qualifications for Board membership are the ability to make informed business decisions and recommendations, an entrepreneurial talent for contributing to the creation of shareholder value, relevant experience in regional and/or international markets, ability to ask probing operational related questions, high ethical standards, sound practical sense and total commitment to furthering the interests of shareholders and the achievement of the Company's goals.
- 3.3.3 The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.
- 3.3.4 The Company has adopted an induction programme for newly appointed Directors. The induction programme aims at communicating to the newly appointed Directors, the Company's vision and mission, its philosophy and nature of business, current issues within the Group, the corporate strategy and the expectations of the Company concerning input from Directors.
- 3.3.5 In addition to the Mandatory Accredited Programme as required by the Bursa Securities, Board members are also encouraged to attend training programmes conducted by highly competent professionals and 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.

### **3.4 Re-election**

- 3.4.1 Pursuant to the AA, all Directors must retire once at least every three (3) years but shall be eligible for re-election.



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### **3.5 Duty To Disclose Interest**

- 3.5.1 The AA stipulates that every Director who may have direct or indirect interest in any contract or proposed contract or arrangement with the Company and/or Group shall immediately declare his/her interest to the Board and shall not participate in deliberations and shall abstain himself/herself from casting his/her votes in any matter arising therefrom. A copy of the notification form could be obtained from the Company Secretary.
- 3.5.2 Should there be an actual, potential or perceived conflict of interest between the Company and a Director, or a person connected with director (as defined under Section 197 of the CA), the Director involved shall make full disclosure and act honestly in the best interest of the Company.
- 3.5.3 An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual Director from the Board provided that full disclosure of the interest has been made in good faith and due honesty.

### **3.6 New Directorship**

- 3.6.1 All Board members shall notify the Chairman of the Board or the Company Secretary before accepting any new directorship. The Notification shall include an indication of time that will be spent on the new appointment.
- 3.6.2 The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

### **3.7 Board Processes**

- 3.7.1 The Board meets at least once every quarter to facilitate the discharge of their responsibilities. Members of Management who are not Directors may be invited to attend and speak at meetings on matters relating to their sphere of responsibility.
- 3.7.2 Any Director may participate at a Board Meeting or Committee Meeting by way of telephone and video conferencing or by means of other communication equipment in which event such Director shall be deemed to be physically present at the meeting and shall be taken into account in ascertaining the presence of a quorum at the meeting.
- 3.7.3 All Directors have the same right of access to all information and Senior Management within the Group whether collectively as a Board or in their individual capacity in furtherance of their duties and responsibilities as Directors



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of the Company.

- 3.7.4 The Management is responsible for providing the Board with the required information in an appropriate and timely manner. If the information provided by the Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.
- 3.7.5 The notice of each Board Meeting together with the agenda and comprehensive Board papers are circulated to all Directors at least five (5) business days prior to the meeting. When there is a need to table a report, a brief précis of findings and/or recommendations is prepared.
- 3.7.6 Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.
- 3.7.7 If, on any matter discussed at a Board Meeting, any Director holds views contrary to those of any of the other Directors, the Board minutes will clearly reflect this.
- 3.7.8 The Board as well as any Director is entitled to obtain independent professional advice relating to the affairs of the Group or to his or her responsibilities as a Director, subject to Paragraph 3.7.9 below.
- 3.7.9 If a Director considers such advice necessary for the discharge of his or her duties and responsibilities as Director and for the benefit of the Company, such Director shall obtain the Board's prior approval, and in seeking such advice, shall be required to comply with the following procedures:
- The request shall be made in writing to the Board;
  - The Director concerned shall prepare a detailed paper to be submitted to the Board, highlighting inter alia the purpose behind the request and the estimated costs for the advice; and
  - The Board shall deliberate on the said paper and at its absolute discretion determine if the Director concerned shall be permitted to seek independent professional advice. Should a request be denied, the Director concerned is entitled to have his or her views duly recorded.
- 3.7.10 The cost of the advice shall be reimbursed by the Company. The Board or the Director, as the case may be, shall ensure that so far as is practicable, the cost is reasonable.



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### **4. CHAIRMAN AND EXECUTIVE DIRECTORS**

The Board ensures that its Chairman is a non-executive member of the Board.

The role of the Non-Executive Chairman and the Executive Directors is distinct and separate to ensure there is a balance of power and authority.

#### **4.1 Chairman**

4.1.1 The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The responsibilities of the Chairman, amongst others, are as follows:

- a) providing leadership for the board to perform its responsibilities effectively;
- b) setting the board agenda and ensuring that board members receive complete and accurate information in a timely manner;
- c) leading board meetings and discussions;
- d) encouraging active participation and allowing dissenting views to be freely expressed;
- e) managing the interface between board and management;
- f) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and
- g) leading the board in establishing and monitoring good corporate governance practices in the Company.

#### **4.2 Executive Directors**

4.2.1 The Executive Directors are the conduit between the Board and the Management in ensuring the success of the Group's governance and management functions.



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- 4.2.2 The Executive Directors assisted by the COO and in association with the Chairman, are accountable to the Board for the achievement of the Group's mission, goals and objectives and the Executive Directors together with COO are is accountable to the Board for the observance of management's limitations.
- 4.2.3 The Executive Directors assisted by COO has the executive responsibility for the day-to-day operation and management of the Group's business.
- 4.2.4 The Executive Directors assisted by COO implements the policies, strategies and decisions adopted by the Board.
- 4.2.5 All Board authorities conferred on the Management is delegated through the Executive Directors and this will be considered as the Executive Directors' authority and accountability as far as the Board is concerned.
- 4.2.6 Generally, the Executive Director assisted by COO is responsible to the Board for the following:
- a) executive management of the Group's business covering, inter alia, the development of a strategic plan; an annual operating plan and budget; performance benchmarks to gauge management performance against and the analysis of management reports;
  - b) effectively oversees the human resources of the Group with respect to key positions in the Group's hierarchy, determination of remuneration as well as terms and conditions of employment for Senior Management and issues pertaining to discipline;
  - c) assures that the Group's corporate identity, products and services are of high standards and are reflective of the market environment;
  - d) be the official spokesman for the Company and responsible for regulatory, governmental and business relationships;
  - e) coordinates business plans with the business heads, coordinates management issues through the Board, and oversees divisional function groups and cost containment process in consultation with the CFO and the Regional Office or Head Office;
  - f) maintains and facilitates a positive working environment and good employee relations;



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- g) promoting a high degree of corporate governance and ethics across the Group;
- h) assists in the selection and evaluation of Board members through the Nomination and Remuneration Committees; and
- i) assists the Chairman in organising information necessary for the Board to deal with the agenda and for providing this information to directors on a timely basis.

### **5. BOARD COMMITTEES**

5.1 The Board may from time to time establish Committees as is considered appropriate to assist in carrying out its duties and responsibilities. Where a Committee is formed, specific terms of reference of the committee would be established to cover matters such as the purpose, composition and functions of the committee.

5.2 A number of committees with written terms of reference has been established namely the following:

**(a) Audit Committee (“AC”)**

The AC assists and supports the Board’s responsibility of overseeing the Group’s operations by providing a means for review of the Group’s processes for producing financial data, its internal controls, risk management activities and independence of the Group’s external and internal auditors.

The terms of reference of the AC is attached under Appendix I.

**(b) Nomination Committee (“NC”)**

The NC oversees matters related to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.

The terms of reference of the NC is attached under Appendix II.



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**(c) Remuneration Committee (“RC”)**

The RC is primarily responsible for recommending to the Board the remuneration framework for Directors as well as reviewing the remuneration package for Executive Directors and Senior Management.

The terms of reference of the RC is attached under Appendix III.

**(d) Risk Management Committee (“RMC”)**

The RMC is primarily responsible for assisting the Board in overseeing all risks management activities within the Group and reviews the efficacy of internal controls within the Group.

The terms of reference of the RMC is attached under Appendix IV.

**(e) Sustainability Committee (“SC”)**

The SC is to advise and assist the Board on matters required to enable the Group to operate on a sustainable basis by setting the tone and strategic direction in various areas identified by the Board and sustainable growth by maintaining and enhancing the Group’s economic, environmental and social and technological capital in the long term.

The terms of reference of the SC is attached under Appendix V.

### **6. REMUNERATION LEVELS OF DIRECTORS**

6.1 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.

6.2 The remuneration for the CEO and Executive Directors is recommended by the RC to the Board.

6.3 Fees payable to Non-Executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.



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6.4 Salaries and other emoluments payable to Executive Directors pursuant to a service contract need not be determined by the Company in general meeting, but such salaries and emoluments may not include a commission on or percentage of turnover.

### **7. ACCOUNTABILITY AND AUDIT**

#### **7.1 Financial Reporting**

7.1.1 In presenting the annual financial statements and quarterly announcement to the shareholders, including other price sensitive public reports and reports submitted to regulators, the Board aims to present a balanced and understandable assessment of the Group's position and prospect.

7.1.2 The Board ensures that the financial statement is prepared in accordance with the CA and applicable approved accounting reporting standards, so as to give true and fair view of the state of affairs of the Group and the Company.

#### **7.2 Company Auditors**

7.2.1 The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the Company Auditors through the AC.

7.2.2 The AC reviews the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Company Auditors. The AC ensures that the Company Auditors do not supply a substantial volume of non-audit services to the Company.

7.2.3 Appointment of the Company Auditors is subject to approval of shareholders at general meeting. The Company Auditors have to retire during the AGM every year and be re-appointed by shareholders for the ensuing year.

#### **7.3 Internal Controls and Risk Management**

7.3.1 The Board has overall responsibility of maintaining a system of internal controls, which provides reasonable assurance of effective and efficient operations and compliance with laws and regulations as well as with internal policies and procedures.



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- 7.3.2 The Company has a well-resourced internal audit function, which critically reviews all aspects of the Company's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. The Head of Internal Audit has direct access to the Board through the Chairman of the AC.
- 7.3.3 The Board ensures the system of internal controls and enterprise risk management are reviewed on a regular basis by the AC.
- 7.3.4 The AC receives reports regarding the outcome of such reviews on a regular basis.

### **8. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION**

- 8.1 The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Group and as such adopts an open and transparent policy in respect of its relationship with its shareholders and investors.
- 8.2 The Board ensures the timely release of financial results on a quarterly basis to provide shareholders and analysts with an overview of the Group's performance and operations in addition to the various announcements made during the year.
- 8.3 The Company conducts dialogues with financial analysts from time to time as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests.
- 8.4 A press conference will normally be held after each general meeting. At this press conference, the Chairman and/or Executive Directors and/or CFO and/or Senior Management will give a media briefing explaining the Group's results, prospects and outline any specific event for notation. All press releases will be vetted by the Executive Directors, COO or CFO to ensure that information that has yet to be released to Bursa Securities is not released to the press.
- 8.5 The corporate information pertaining to the Group and its activities and is continuously updated can be viewed at the Company's website at [www.salcon.com.my](http://www.salcon.com.my).
- 8.6 The AGM is the principal forum for dialogue with shareholders. At each AGM. The Board encourages shareholders to attend the AGM and participate in an open discussion at the AGM. The Directors respond to shareholders' questions during



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the AGM. The Chairman and where appropriate, the Executive Directors will provide a written answer after the AGM for significant question that is not readily answered at the AGM.

### **9. CODE OF ETHICS AND CONDUCT**

- 9.1 The Company's Code of Ethics and Conduct ("Salcon Code") sets out the principles and standards of business ethics and conduct of the Group and this Salcon Code is to be observed by all employees, officers and directors of the Group.
- 9.2 The Board will review the Salcon Code regularly to ensure that it continues to remain relevant and appropriate. The Salcon Code is made available for reference in the Company's website at [www.salcon.com.my](http://www.salcon.com.my).

### **10. WHISTLEBLOWING POLICY**

- 10.1 To enhance corporate governance practices across the Group, a whistle-blowing policy was adopted which provides Directors, officers, employees and stakeholders of the Group with an avenue to report suspected improprieties such as illegal or unlawful conduct, contravention of the Group's policies and procedures, acts endangering the health or safety of any individual, public or employee, and any act of concealment of improprieties. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that the person filing the report, to the extent possible, be protected from reprisal, victimisation, harassment or subsequent discrimination.
- 10.2 The Whistleblowing Policy is made available for reference in the Company's website at [www.salcon.com.my](http://www.salcon.com.my)

### **11. RELATIONSHIP WITH OTHER STAKEHOLDERS**

- 11.1 In the course of pursuing the vision and mission of the Group, the Board recognises that no business organisation can exist by maximising shareholders value alone. In this regard, the needs and interests of other stakeholders are also taken into consideration.
- 11.2 The Board is responsible for:
- a) ensuring the Group's strategies promote sustainability;
  - b) ensuring the rights of other stakeholders are not compromised;



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- c) ensuring the Group has in place a policy to enable effective communication not just with shareholders, but with all stakeholders;
- d) establishing policies governing the Group's relationship with other stakeholders and the broader community; and
- e) establishing and maintaining environmental, employment and occupational health and safety policies.

### **12. COMPANY SECRETARY**

- 12.1 The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognises the fact that the Company Secretary should be suitably qualified and competent of carrying out the duties required of the post. The Company Secretary should undertake continues professional developments.
- 12.2 The key role of the Company Secretary is to provide unhindered advice and services for the Directors as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.
- 12.3 Other primary responsibilities of the Company Secretary shall include:
  - a) manage all board and committee meeting logistic, attend and record minutes of all board and committee meetings and facilitate board communications;
  - b) advise the board on its roles and responsibilities;
  - c) facilitate the orientation of new directors and assist in director training and development;
  - d) advise the board on corporate disclosures and compliance with company and securities regulations and listing requirement;
  - e) manage process pertaining to the annual shareholder meeting;
  - f) monitor corporate governance developments and assist the board in applying governance practices to meet the board's needs and stakeholders' expectations; and
  - g) serve as a focal point for stakeholders' communication and engagement on corporate governance issues.



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### **13. REVIEW OF THE BOARD CHARTER**

- 13.1 The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.
  - 13.2 The Board Charter is available at Company's website at [www.salcon.com.my](http://www.salcon.com.my)
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