



## **BOARD CHARTER**

### **1. Introduction**

This Board Charter sets out the principles for the operation of the Board of Directors (“Board”) of Eastern & Oriental Berhad (“E&O” or “the Company”) and describes the functions of the Board and those functions delegated to the Management of the Company.

The Board has primary responsibility to shareholders for the welfare of the Company and its subsidiaries (“the Group”). The Board is responsible for guiding and monitoring the business and affairs of the Group. The Board recognises the importance of good corporate governance in the operations of the Group.

### **2. Purpose**

This Board Charter is established to promote high standards of corporate governance and is designed to provide guidance and clarity for Directors and Management with regard to the roles of the Board and its committees. This Board Charter does not overrule or pre-empt the statutory requirements and other relevant statutes. This Board Charter is based on the principles of sincerity, integrity, responsibility and corporate social responsibility.

### **3. Code of Ethics**

In the performance of his/her duties, each Director of the Group should at all times observe the following codes:

#### **3.1. Corporate Governance**

- 3.1.1. Should have a clear understanding of the aims and purpose, capabilities and capacity of the Company;
- 3.1.2. Should devote time and effort to attend meetings and to know what is required of the Board and each of its Directors, and to discharge those functions;
- 3.1.3. Should satisfy himself/herself at all times that the Company is properly managed and effectively controlled;
- 3.1.4. Should stay abreast of the affairs of the Company and be kept informed of the Company’s compliance with the relevant legislation and contractual requirements;
- 3.1.5. Should insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management;
- 3.1.6. Should limit his/her directorship of companies to a number in which he/she can best devote his/her time and effectiveness; each Director is his/her own judge of his/her abilities and how best to manage his/her time effectively in the Company in which he/she holds directorship;



## **BOARD CHARTER**

- 3.1.7. Should have access to the advice and services of the Company Secretary, who is responsible to the Board to ensure proper procedures, rules and regulations are complied with;
- 3.1.8. Should at all times exercise his/her powers for the purposes they were conferred, for the benefit and best interest of the Company;
- 3.1.9. Should disclose immediately all contractual interests whether directly or indirectly with the Company;
- 3.1.10. Should neither divert to his/her own advantage any business opportunity that the Company is pursuing, nor may he/she use confidential information obtained by reason of his/her office for his/her own advantage or that of others;
- 3.1.11. Should at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his/her powers in discharging his/her duties;
- 3.1.12. Should be willing to exercise independent judgement and, if necessary, openly oppose if the vital interest of the Company is at stake; and
- 3.1.13. Should promote ethical business practices and a culture of integrity within the Group.

### **3.2 Relationship with Shareholders, Employees, Creditors and Customers**

- 3.2.1. Should be conscious of the interest of shareholders, employees, creditors and customers of the Company;
- 3.2.2. Should at all times promote professionalism and improve the competency of management and employees; and
- 3.2.3. Should promote at all times adequate safety measures and provision of proper protection to workers and employees at the workplace.

### **3.3 Social Responsibilities and the Environment**

- 3.3.1. Should strive to be socially responsible by supporting causes and efforts, in the arena of community, education, health, arts and culture, in addition to preserving the environment;
- 3.3.2. Should strive for the effective use of natural resources and improved quality of life by promoting corporate social responsibilities;
- 3.3.3. Should be more proactive to the needs of the community and to assist in society-related programmes in line with the aspirations of the concept of the Company campaign or vision; and
- 3.3.4. Should satisfy itself that the activities and the operations of the Company do not harm the interest and well-being of society at large.



## **BOARD CHARTER**

### **4. Composition of the Board**

- 4.1. The Board shall be of a size and composition that encourages diversity in perspectives and skills, which would enable the Board to have a better understanding of and deal more effectively with the current/emerging issues relating to the business of the Group.
- 4.2. The Board shall comprise at least two (2) Directors or one-third (1/3), whichever is higher, of the Board members who are Independent Directors.
- 4.3. The appointment of a new member to the Board is made only after consultation with the Nomination, Remuneration and Scheme Committee.
- 4.4. The Board recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to achieve a balance of power and authority. It is the policy of the Board to keep the roles of the Chairman and the Managing Director separate.
- 4.5. A Director shall inform the Board's Chairman before he/she accepts any new directorships in other public listed companies. The Board's Chairman shall inform the Board before he/she accepts any new directorships in other public listed companies.
- 4.6. The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. The Board may, in appropriate cases and subject to the assessment of the Nomination, Remuneration and Scheme Committee on an annual basis, recommend that an Independent Director who has served a consecutive or cumulative term of nine (9) years to remain as an Independent Director subject to shareholders' approval. If the Board continues to retain the Independent Director after the nine (9) year, the Board shall seek annual shareholders' approval in accordance with Malaysian Code on Corporate Governance ("MCCG") subject to the provision in the Constitution.

### **5. Role of the Board**

- 5.1. The Board shall assume ultimate accountability and responsibility for the performance and affairs of the Company and shall in so doing effectively represent and promote the legitimate interests of the Company and its shareholders. The Board, at all times, shall retain full and effective control over the Group and shall direct and supervise the business and affairs of the Group.
- 5.2. The Board shall satisfy itself that Management has in place appropriate processes for risk assessment, risk management and internal controls and monitoring performance against agreed benchmarks. The Board shall work with Management as collaborators in advancing the interest of the Group.
- 5.3. The Board has delegated certain responsibilities to committees, which operate in accordance with their respective Terms of Reference approved by the Board. The Board has also delegated the day-to-day management of the business of the Group to Executive Directors and Management, subject to an agreed authority limit.



## **BOARD CHARTER**

- 5.4. The principal responsibilities of the Board, including those adopted from the MCCG, are:
- together with senior management, promote good corporate governance culture within the company which reinforces ethical, prudent and professional behaviour;
  - review, challenge and decide on management's proposals for the company and monitor its implementation by management;
  - satisfy itself that the strategic plan of the company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
  - supervise and assess management performance to determine whether the business is being properly managed;
  - check that there is a sound framework for internal controls and risk management;
  - understand the principal risks of the company's business and recognise that business decisions involve the taking of appropriate risks;
  - set the risk appetite within which the board expects management to operate and satisfy itself that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
  - check 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;
  - check that the company has in place procedures to enable effective communication with stakeholders; and
  - satisfy itself of the integrity of the company's financial and non-financial reporting.
- 5.5. In overseeing the conduct of the Group's business, the Board shall satisfy itself 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 business plan, budget, financial statements, divisional strategic/performance review reports and risk management reports.
- 5.6. The Board shall oversee the ethical conduct of business and prevent corruption/bribery (offering, giving or soliciting) in the Group's business. In relation to anti-corruption/bribery, the Board shall:
- approve the Anti-Corruption Policy for the Group that presents the Group's anti-corruption/bribery stance to internal and external stakeholders;



## **BOARD CHARTER**

- approve the Anti-Corruption Framework for the Group that guides the systematic identification, assessment, management, monitoring, and reporting of the Group's key corruption/bribery risks; and
- regularly review the adequacy and effectiveness of the Group's performance in relation to the management of its key corruption/bribery risks (including results of audit, risk assessment and control measures).

### **6. Role of the Chairman**

The Chairman is primarily responsible for:

- 6.1. providing leadership for the board so that the board can perform its responsibilities effectively;
- 6.2. leading the board in the adoption and implementation of good corporate governance practices in the company;
- 6.3. setting the board agenda and ensuring that directors receive complete and accurate information in a timely manner;
- 6.4. leading board meetings and discussions;
- 6.5. encouraging active participation and allowing dissenting views to be freely expressed;
- 6.6. managing the interface between board and management; and
- 6.7. ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole.

As the highest-ranking executive of the Group, the position of the Executive Chairman ("EC") in essence is to steer the Group's businesses and performance of the Group towards achieving the Group's vision and goals.

The EC is responsible to the Board for the following:

- strategic planning, business development and overseeing the Group's business operations together with the Group Managing Director;
- formulation of high level-strategies of the Group and together with the Group Managing Director, directing the overall growth of the Company; and
- making major corporate decisions in the best interest of the Group.

### **7. Role of the Managing Director ("MD")**

7.1. The position of the MD in essence is to ensure the effective implementation of the Group's business plan and policies established by the Board as well as to manage the daily conduct of the business and affairs to ensure its smooth operation.

7.2. The MD is responsible to the Board for the following:

- 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 and the analysis of management reports;



## **BOARD CHARTER**

- developing long-term strategic and short-term profit plans, designed to ensure that the Group's requirements for growth, profitability and return on capital are achieved;
- set, review and ensure compliance with the Company's values;
- effectively oversee the human resources of the Group with respect to key positions in the Group's hierarchy;
- assures the Group's corporate identity, products and services are of high standards and are reflective of the market environment;
- ensures compliance with legislation and regulatory requirements;
- 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 Executive Directors; and
- maintains and facilitates a positive working environment and good employee relations.

In discharging the above responsibilities, the MD can delegate appropriate functions to the Executive Directors, who shall report to the MD.

### **8. Board Committees**

- 8.1. The Board shall establish committees from time to time in the discharge of its duties and responsibilities.
- 8.2. Where a committee is formed, specific terms of reference of the committee would be established to serve as a guidance which covers matters such as the purpose, composition and functions of the committee.
- 8.3. Several committees with written terms of reference have been established namely the following:
  - a) **Audit Committee**  
Audit Committee assists in providing oversight on the Group's financial reporting, disclosure, regulatory compliance and monitoring of internal control processes within the Group. The Audit Committee reviews the quarterly financial results, unaudited and audited financial statements, internal and external audit reports as well as related party transactions.
  - b) **Nomination, Remuneration and Scheme Committee**  
The Nomination, Remuneration and Scheme Committee is responsible for:
    - (i) overseeing matters relating 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 on 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;



## **BOARD CHARTER**

- (ii) recommending to the Board the remuneration of Executive Directors and Non-Executive Directors in all its forms, tapping on external advice if necessary; and
  - (iii) administering the E&O Long-Term Stock Incentive Plan, 2012 (“Scheme”) in accordance with such powers and duties conferred upon it under the By-Laws of the Scheme.
- c) **Risk Management Committee**  
The Risk Management Committee oversees the identification, monitoring and control of all risks faced by the businesses within the Group and the Group’s sustainability management and practice, as well as oversees the ethical conduct of business preventing corruption/bribery in the Group’s business. It provides assurance to the Board that risk control measures and mitigation actions are in existence and are being continually reviewed.

### **9. Matters Reserved**

- 9.1 The Board reserves full decision-making powers, amongst others, on the following matters (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to the Committees of the Board or management):
- 9.1.1 Group strategic plans and annual budgets (including capital expenditure budget);
  - 9.1.2 Material acquisitions and disposals and transactions not in the ordinary course of business exceeding prescribed threshold based on formalised limit of authority;
  - 9.1.3 Material corporate or financial exercise / borrowings/ restructuring;
  - 9.1.4 Award of construction contracts exceeding the prescribed threshold based on formalised limit of authority; and
  - 9.1.5 Changes in the key policies, procedures and delegated authority limits of the Group.

### **10. Board Processes**

Board meetings shall be conducted in a business-like manner where all Directors are encouraged to share their views and partake in discussions.

#### **10.1. Frequency**

- 10.1.1. The Board shall meet regularly, at least on a quarterly basis. Board meeting for each year is scheduled in advance prior to the end of the preceding financial year and circulated to the Directors and Senior Management before the beginning of each financial year. Prior notice of meetings shall be given to all who are required to attend the meetings.





## **BOARD CHARTER**

- 10.1.2. Board members are required to attend the Board meetings and their meeting attendance for each financial year is to be disclosed in the Annual Report.
- 10.1.3. Other senior management may be invited to attend the Board meetings for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.
- 10.1.4. Additional formal business is dealt with as required, whether by physical, video conferencing or telephonic meetings, as well as other electronic meetings allowed under the laws or the Company's Memorandum and Articles of Association.

### **10.2 Agenda**

- 10.2.1. The notice of a Directors' meeting, board papers and agenda shall be provided in writing at least seven (7) days prior to the meeting.
- 10.2.2. The agenda shall include, amongst others, matters specifically reserved for the Board's decision. The Board shall record its deliberation, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities.

### **10.3 Access to Information and Independent Professional Advice**

- 10.3.1. All Directors (executive and non-executive) have the same right of access to all information within the Group whether as a full board or in their individual capacity, in furtherance of their duties and responsibilities as Directors of the Company.
- 10.3.2. All Directors shall have access to the advice and services of the Company Secretary. The Board shall recognise that the Chairman is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board.
- 10.3.3. The full Board or the Directors in their individual capacity, in furtherance of their duties, shall be able to obtain independent professional advice at the Company's expense.

### **10.4. Directors' Assessment / Board Evaluation**

- 10.4.1. The Board recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Committees. The performance should be assessed on a quantitative and qualitative basis against criteria set in the Directors' Assessment Policy. The Board performance assessment should be conducted on an annual basis and the results of the performance assessment should be documented in a form of report.





## **BOARD CHARTER**

### **10.5. Continuing Training Programme**

- 10.5.1. The Board or individual Directors should attend the relevant training programmes, seminars and forums to enhance their skills and knowledge on relevant new laws and regulations, changing commercial risk to keep abreast with the development within which the Group operates.
- 10.5.2. The Board should analyse the training needs of each individual Director on an annual basis. The Directors should devote sufficient time for the continuing training programme.

### **10.6. Orientation/Induction of Newly Appointed Directors**

- 10.6.1. All newly appointed Board members shall undergo an orientation/induction to ensure that they understand their roles and responsibilities, board policies and processes, business and governance matters.

## **11. The Board's Relationship with Shareholders and Stakeholders**

- 11.1 The Board shall maintain an effective communications policy that enables both the Board and Management to communicate effectively with its shareholders, stakeholders and the general public.
- 11.2 It is the role of the Board to check that the Annual General Meetings ("AGM") and Extraordinary General Meetings ("EGM") of the Company are conducted in an efficient manner and serve as crucial mechanisms in shareholder communications. Key ingredients behind this include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the general meeting of the Company.
- 11.3 The Board will focus its efforts on the following best practices to enhance the effectiveness of the general meeting:
- that each item of special business included in the notice is accompanied by a full explanation of the effects of the proposed resolution;
  - encourage poll voting on substantive resolutions and make an announcement of the detailed results showing the number of votes cast for and against each resolution;
  - for re-election of Directors, that the notice of meeting states which Directors are standing for election or re-election with a brief description to include matters such as age, relevant experience, directorships in other public companies, date of appointment to the Board and details of participation in board committee;
  - a business presentation with a question and answer session is provided, where appropriate and if required.



## **BOARD CHARTER**

- 11.4. The EC and/or MD are authorised by the Board to speak on behalf of the Group and to manage the communication of information to shareholders, investors, other stakeholders and the public.

### **12. Directors' External Commitments and Conflicts of Interest**

- 12.1 The Company's Constitution stipulate that a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare his/her interest in accordance with the provisions of the Companies Act, 2016. The Director concerned shall not participate in deliberations and shall abstain himself/herself from casting his/her votes in any matter arising thereof.
- 12.2 Should there be an actual, potential or perceived conflict of interest between the Company or a related corporation and a Director, or person(s) connected to a Director such as a spouse or other family members, or a related company, the Director involved shall make full disclosure and act honestly in the best interest of the Company.
- 12.3 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 with due honesty.

### **13. Review**

This Board Charter shall be reviewed periodically by the Board in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.