



# **EVERSAFE RUBBER BERHAD**

(Company No.: 1133877-V)

(Incorporated in Malaysia)

## **BOARD CHARTER**



<p><b>BOARD CHARTER EVERSAFE RUBBER BERHAD</b></p>
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## **INTRODUCTION**

The Board Charter sets out the principal functions, composition, roles and responsibilities of the Board of Directors of Eversafe Rubber Berhad (“ERB” or “Company”) and also the functions and responsibilities delegated to the Board Committees as well as to the Management of ERB and its Group.

The Board of Directors of ERB is primarily responsible for ensuring that the principles of good corporate governance are practiced and appropriate corporate governance structure is in place in ERB and its Group in creating, protecting and enhancing shareholders’ and stakeholders’ values and in promoting sustainability.

The Board of Directors of ERB has a duty of being effective steward and guardian of the Company in setting strategic directions and in overseeing the conduct of business and also in ensuring that the Company is in compliance with laws and ethical values and maintains an effective governance structure to ensure the appropriate management of risks and level of internal controls.

The Board of Directors of ERB recognizes the value of good governance and the significant milestone of the Malaysian Code on Corporate Governance 2017 (“MCCG”) which focuses on enhancing board effectiveness by strengthening board structure and its composition while recognizing the active and responsible fiduciary role of each of the members of the Board.

The key features of the new approach under MCCG are as follows: -

- (a) The Comprehend, Apply and Report approach- CARE which encourages companies to clearly identify the thought processes involved in practising good corporate governance including providing fair and meaningful explanation of how the company has applied the practices in the following manner: -
  - (i) **COMPREHEND:** to understand and internalise the spirit and intention behind the principles and practices including its intended outcomes;
  - (ii) **APPLY:** to implement the practices in substance to achieve the intended outcomes of building and supporting a strong corporate governance culture throughout the company;
  - (iii) **REPORT:** to provide a fair and meaningful disclosure on the company’s corporate governance practices;
- (b) The shift from comply or explain to apply or explain and alternative to promote a more meaningful application of good corporate governance practices. If the Board finds that it is unable to implement any of the MCCG practices, the Board should apply a suitable alternative practice to meet the intended outcome;

- (c) Greater focus and clarity on the intended outcomes for each practice. The intended outcome provides companies with the line of sight on what they will achieve through the practices;
- (d) Guidance to assist companies in applying the practices. The Board should do its best to adhere to the Guidance in the MCCG when implementing / applying the MCCG practices to achieve the intended outcome; and
- (e) Identify exemplary practices which support companies in moving towards greater excellence- Step Ups i.e. to disclose the application of these practices to demonstrate their commitment to the higher standards of corporate governance.

The structure of MCCG is as follows: -

1. **Principles**

The MCCG is based on three key principles of good corporate governance, which are: -

- (a) board leadership and effectiveness;
- (b) effective audit and risk management; and
- (c) integrity in corporate reporting and meaningful relationship with stakeholders.

2. **Intended Outcome**

The intended outcome provides companies with the line of sight on what they will achieve through the practices.

3. **Practices**

Practices are action procedures, or processes which companies are expected to adopt to achieve the intended outcome.

The practices in MCCG were crafted taking into consideration the existing requirement in the law, Bursa Malaysia Listing Requirements, different sizes and complexities of Malaysian companies and global developments in corporate governance best practices.

The introduction of the Step-up practices is meant to encourage companies to go a step further in strengthening their governance practices and processes. Companies that aspire to achieve excellence in corporate governance in particular, large companies, should consider the adoption of Step-ups.

4. **Guidance**

The guidance that follows each practice serves to assist companies in applying the practice to achieve the intended outcome.

## **OBJECTIVES**

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles of good corporate governance are applied in all their dealings in respect and on behalf of the Company.

## **PRINCIPLE A OF MCGG - BOARD LEADERSHIP AND EFFECTIVENESS**

### **THE BOARD'S ROLES AND RESPONSIBILITIES**

All directors should objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Every director is required to keep abreast of his responsibilities as a director and of the conduct, business activities and development of the Company.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company, the Board should, among others–

1. Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behavior.
2. Review, challenge and decide on management's proposals and strategic plan for the Company, and monitor its implementation by management including setting performance objectives and approving operating budgets for the Company and ensuring that the strategies supports long-term value creation and promote sustainability.
3. Oversee the resources and operational conducts of the Company's businesses and assess management's performance to evaluate whether the businesses are being properly managed.
4. Ensure there is a sound framework for internal controls and risk management.
5. Understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks.
6. 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.
7. Review the adequacy and integrity of the Company's internal control systems and management information systems and to ensure regulatory compliance with

applicable laws, regulations, rules, directives and guidelines.

8. The Board delegates certain responsibilities to the various Board Committees with clearly defined terms of reference to assist the Board in discharging its responsibilities.
9. Ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of the Board and senior management.
10. Ensure that the Company has in place procedures to enable effective communication with stakeholders.
11. Ensure that the integrity of the Company's financial and non-financial reporting.

## **BOARD COMPOSITION AND SIZE**

The Board determines the Board size and composition, subject to limits imposed by the Company's Constitution. The Constitution provides for a minimum of two (2) directors and a maximum of twelve (12).

At least half of the Board comprises of Independent Directors. The Board shall comply with the Bursa Securities Listing Requirements and MCGG as may be amended from time to time in respect of the composition of the Board.

The composition of the Board shall reflect the level of investment in the Company by shareholders apart from the largest shareholders. The Board shall have a balance mix of skills, knowledge and expertise to ensure its effectiveness.

The Executive Directors shall together with the Management Team are responsible for the making and implementing of operational decisions. The Non-Executive Directors play a key supporting role in contributing their skills, expertise and knowledge towards the formulation of the Company's strategic and corporate objectives, policies and decisions.

There is a separation of the role between the Company's Chairman and that of the Chief Executive Officer to ensure a clear division of responsibilities and a balance of control, power and authority.

## **ROLE OF CHAIRMAN**

The Board shall appoint one of its members to be Chairman of the Board in accordance with the Constitution of the Company.

The Chairman is responsible for:-

1. Leadership of the Board, leading board meetings and discussions, ensuring

- effectiveness on all aspects of its role, setting Board agenda and ensuring adequate time is available for discussion of all agenda;
2. Ensuring the provision of accurate, timely and clear information to members of the Board;
  3. Encouraging active participation and allowing dissenting views to be freely expressed;
  4. Ensuring effective communication with shareholders and stakeholders and their views are communicated to the Board as a whole;
  5. Facilitating the effective contribution of non-executive directors and ensuring constructive relations between the executive and non-executive directors;
  6. Managing the interface between board and management; and
  7. Leading the Board in establishing and monitoring good corporate governance practices in the Company.

### **CHIEF EXECUTIVE OFFICER (“CEO”)**

The CEO is the conduit between the Board and the Management in ensuring the success of the Company’s governance and management functions.

The CEO has the executive responsibility for the Company’s business and the day-to-day operations and management of the Company’s business with all powers, discretions and delegations authorised from time to time by the Board.

All Board authorities conferred on the Management is delegated through the CEO and this will be considered as the CEO’s authority and accountability as far as the Board is concerned.

### **COMPANY SECRETARY**

The Board appoints the Company Secretary, who plays an important advisory role on administrative matters and governance matters, and ensures that the Company fulfils the functions for which he/she has been appointed.

The roles and responsibilities of a Company Secretary include, but are not limited to the followings: -

- (a) manage all board and committee meeting logistics, 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 the Company and securities regulations and listing requirements;
- (e) manage processes 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.

## **SENIOR INDEPENDENT DIRECTOR**

The Senior Independent Director ("SID") is a non-executive director of the Company, who is independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgment.

The roles and responsibilities of a SID are as follows: -

- (a) to provide a sounding board for the Chairman;
- (b) to act as an intermediary for other directors when necessary;
- (c) to act as the point of contact for shareholders and other stakeholders;
- (d) to serve as designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through normal channels of contact with the Chairman or CEO;
- (e) to serve as the principal conduit between the Independent Directors and the Chairman on sensitive issues for example whistleblowing issues;
- (f) to ensure all Independent Directors have the opportunity to provide input on the agenda, and advise the Chairman on the quality, quantity and timeliness of the information submitted by management that is necessary or appropriate for the Independent Directors to perform their duties effectively;
- (g) to consult with the Chairman regarding Board meeting schedules to ensure Independent Directors can perform their duties responsibly and with sufficient time for discussion of all agenda items; and
- (h) to chair meetings of the Board or Independent Directors, in the absence of the Chairman or his abstention.

## **BOARD COMMITTEE**

1. To assist the Board in fulfilling its duties and responsibilities, the Board has established the following Committees:-
  - (a) Audit Committee
  - (b) Nominating Committee
  - (c) Remuneration Committee
2. All Committee have Terms of Reference which have been approved by the Board.
3. The Board can establish other Committees on ad hoc basis as and when required.



## **BOARD MEETING AND PROCEDURES**

The Board shall meet at least 4 times a year and has a formal schedule of matters reserved for the Board to decide. Additional Board Meetings are held as and when required. The Notice of Meetings together with the Board papers shall be circulated to all the Directors at least five (5) clear days before the meeting unless the Directors agree to a shorter notice.

The Chairman or (if he is absent or unwilling to act or there is no Chairman) the Managing Director shall preside as Chairman of a meeting of Directors. If neither the Chairman nor Managing Director are present within fifteen (15) minutes after the time appointed for the meeting or if the Chairman or Managing Director is unwilling to act, the Directors present may appoint a Director to preside as the Chairman of the meeting.

Every Director shall disclose his interest whether direct or indirect in any contract or proposed contract entered into with the Company.

No director shall vote in respect of any contract or proposed contract or arrangement in which he is directly or indirectly interested unless such arrangements involve rights issue, bonus issue and dividend payment.

In accordance with Article 149 of the Constitution of the Company, a resolution in writing signed by a majority of the Directors for the time being [not being less than two (2) Directors] shall be as valid and effectual as if it had been passed by a meeting of Directors duly called and constituted.

## **DIRECTORS' TRAINING**

All Directors are required to attend such training programmes as may be prescribed by the Stock Exchange by Bursa Malaysia Berhad from time to time in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad.

The Boards will assess the training needs of the Directors and the Directors are expected to undertake any necessary professional education or training program to enable them to discharge their duties as a Director. In this respect, the Board must on a continuous basis, evaluate and determine the training needs of the directors. The subject matter of training must be one that aids the directors in the discharge of their duties as directors.

The Board of Directors must disclose in the annual report of the Company, a statement on the training attended by its directors which includes the following information:

- (a) the board has undertaken an assessment of the training needs of each director;
- (b) a brief description on the type of training that the directors have attended for the financial year; and

- (c) in exceptional circumstances where any director has not attended any training during the financial year, valid justifications for the non-attendance of such director.

## **PRINCIPLE B OF MCGG - EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **I. AUDIT COMMITTEE**

An effective Audit Committee can bring transparency, focus and independent judgment needed to oversee the financial reporting process. However, the ultimate responsibility for the Company's financial reporting process rests with the full Board.

The Audit Committee plays a key role in the Company's governance structure. An independent Audit Committee is better positioned to rigorously challenge and ask probing questions on the company's financial reporting process, internal controls, risk management and governance.

The appropriate level of knowledge, skills, experience and commitment of its members is critical to the Audit Committee's ability to discharge its responsibilities effectively. A strong understanding of financial reporting process complemented with a wide range of diverse perspectives can significantly strengthen the quality of Audit Committee deliberations.

### **FINANCIAL REPORTING**

The Board is responsible for reviewing the Management's draft of the financial statements. The Company aims to present a clear and fair assessment of the Company's financial position and future prospects in respect of all quarterly results, annual financial statements and announcements issued by the Company within the stipulated timeframe.

The Board is assisted by the Audit Committee who helps to scrutinize information to ensure disclosures are made accurately and adequately on a timely basis.

### **Intended Outcome**

- (a) There is an effective and independent Audit Committee.
- (b) The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement is a reliable source of information.

## **II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

Proper risk management and internal control are important aspects of the Company's governance, management and operations. Risk management focuses on identifying threats and opportunities while internal control helps counter threats and takes advantage of opportunities. Proper risk management and internal control assist the Company in making informed decisions about the level of risk that they want to take and implement the necessary controls to effectively pursue their objectives. Successful companies integrate effective governance structures and processes with performance-focused risk management and internal control at every level of the Company and across all operations.

The Board is responsible for the Company's risk management and internal control systems. It should set appropriate policies on internal control and seek assurance that the systems are functioning effectively. The Board must also ensure that the system of internal control manages risks and forms part of its corporate culture.

### **PRINCIPLE C OF MCGG - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

#### **INVESTORS RELATIONS AND SHAREHOLDER COMMUNICATION**

The Board ensures the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year.

The Company's website provides easy access to corporate information pertaining to the Company and its activities and is continuously updated.

#### **DECLARATION OF INTEREST/CONFLICT OF INTEREST**

A Director, who is in any way, whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interests in accordance with the provisions of the Companies Act, 2016 and shall excuse himself from Board discussions and deliberations and voting in respect of those resolutions/interests.

#### **ACCESS TO INFORMATION AND ADVICE**

The Board members have access to all information pertaining to the Company and Management shall supply accurate and complete information to the Board in a timely manner to enable the Board to discharge its duties effectively.

All Directors have access to the advice and services of the Company Secretary.

A Director is entitled to seek independent professional advice subject to the consent from the management and which approval shall not be unnecessarily withheld, including but not limited to legal, accounting and financial, either collectively or individually as may be considered necessary in furtherance of their duties and responsibilities at the expense of the Company.

## **CORPORATE SOCIAL RESPONSIBILITIES**

The Board is committed in performing its corporate social responsibilities with various charitable activities carried out by the Company.

## **REVIEW OF THE BOARD CHARTER**

The Board Charter is to be reviewed regularly by the Board as and when required.

The Board Charter is dated 12<sup>th</sup> August 2017.