

LBI CAPITAL BHD (41412-X)

BOARD CHARTER

1. Introduction

The Board of Directors (“the Board”) of LBI Capital Berhad (“the Company”) reaffirms its commitment to and supports the recommendations of the Malaysian Code on Corporate Governance (“the Code”). The Board strives to ensure that the highest standards of corporate governance are practised to protect and enhance shareholders’ value.

The Board derives its authority to act from the Memorandum and Articles of Association of the Company (the “Constitution of the Company”) and the law and regulations governing companies in Malaysia.

The Board is the ultimate decision making body.

2. Roles and Responsibilities of the Board

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 the shareholders and stakeholders for the manner in which the affairs of the Company are managed.

The Board has the following principal responsibilities, which facilitate the discharge of the Board’s stewardship in the pursuit of the best interest of the Company:

- Reviewing and approving the business plan and overall strategic directions;
- Overseeing the conduct of the Company’s business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning;
- Developing and implementing an investor relations programme or shareholders’ communications policy for the Company;
- Reviewing the adequacy and integrity of the Company’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- Ensuring that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility.

3. Matters Reserved for the Board

The Board established clear functions reserved for the Board and those delegated to management. The Limits of Authority of the Company specify the parameters within which the management decisions are to be made whilst the matters which are specifically reserved for the Board include, amongst others, the following:

- Appointment of directors to fill a vacancy or as additional directors;
- Approval of business strategies, group operation plans, policies and annual budgets;
- Approval of the Limits of Authority of the Company;
- Approval of major capital expenditure, acquisitions, divestitures and such other matters in excess of the authority limits delegated to the management;
- Approval of changes in the Company's structure;
- Approval of interim dividend and recommendation of final dividend for shareholders' approval;
- Approval of interim and annual financial statements; and
- Calling for meetings of shareholders.

4. The Board

4.1 Composition

The composition of the Board will reflect the duties and responsibilities it is to discharge and perform as representative of the interests of shareholders.

The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. At least two (2) or one-third (1/3), whichever is higher, of the Board members must be Independent Directors as required in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4.2 Appointment

The Constitution of the Company governs the regulations and proceedings of the Board. The Board, together with the Nomination and Remuneration Committee, determine the size and composition of the Board subject to the terms of the Constitution of the Company.

On the appointment of new Director, the new Director is required to commit sufficient time to attend to the Company's matters before accepting his appointment to the Board.

Directors are required to notify the Chairman before accepting any new Directorship and to indicate the time expected to be spent on the new appointment.

4.3. Re-Election and Re-Appointment of Directors

In accordance with the Constitution of the Company, one-third (1/3) of the Directors are required to retire from office at each Annual General Meeting ("AGM") and all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election.

4.4 Independence

The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

A Director will be considered independent if he is free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his independent judgement.

The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's redesignation as a non-Independent Director. Otherwise, the Board must justify and seek shareholders' approval at General Meeting in the event it retains the Director as an Independent Director.

The Board undertakes an assessment of its Independent Directors annually upon admission of new Director and when any new interest or relationship develops.

4.5 Code of Conduct and Ethics

The LBI Code of Conduct and Ethics is to be observed by all Directors when they represent LBI Group.

The LBI Code of Conduct and Ethics deals with compliance in the following areas of conduct:

- Observe high standards of corporate governance at all times;
- Act in good faith and in the best interests of the Company and Group.
- Inside information and securities trading;
- Compliance with Laws, Regulations and Ethical Standards;
- Conflicts of Interest;
- Accounting records;
- Retention of records;
- Dealing with auditors; and
- Whistleblowing policy.

4.6 Company Secretary

The Company Secretary plays an important role in supporting the Board by ensuring adherence to Board policies and procedures. The Board shall appoint a suitably qualified and competent Company Secretary who can support the Board in carrying out its roles and responsibilities.

4.7 Board Committees

The Board is supported by the following three (3) Board Committees which operates within its own specific terms of reference:-

- (a) Audit and Governance Committee
- (b) Nomination and Remuneration Committee
- (c) Risk Management Committee

The Risk Management Committee comprises the heads of departments and Group's senior management. The Risk Management Committee reports to Audit Committee on quarterly basis.

The Board Committees undertake in-depth deliberation of the issues at hand before tabling its recommendations thereon to the Board.

Each Committee has an obligation to report on its meetings to the Board and minutes of all Committee Meetings are made available to all Directors.

The Board may also delegate specific functions to ad hoc Committees as and when required.

4.8 Chairman and Group Chief Executive Officer

The Company aims to ensure a balance of power and authority between the Chairman and the Group Chief Executive Officer ("Group CEO") with a clear division of responsibility between the running of the Board and the Company's business respectively.

The roles of the Chairman and the Group CEO are distinct, clearly defined and held by two (2) different persons. The Chairman is amongst others, responsible for ensuring Board effectiveness and to facilitate effective Board decision making, whilst the Group CEO has overall responsibility to manage the operations, organization effectiveness and implementation of policies and decision.

(a) Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role, co-ordinates the work of the Board and its committees and ensures that the Board members are provided with timely information relevant for performing their duties and responsibilities.

Roles and Responsibilities of Chairman

The Chairman undertakes, amongst others, the following responsibilities:

- Leading the Board in setting the values and standards of the Company;
- Ensure that guidelines and procedures are in place to govern the Board's operation and conduct;
- Monitor the workings of the Board, especially the conduct of Board meetings;
- Ensure that all relevant issues for the effective running of the Group's business are on the agenda for Board meetings;

- Ensure quality information to facilitate decision-making is delivered to the Board members on a timely basis;
- Encourage all directors to play an active role in Board activities;
- Chair general meetings of shareholders; and
- Liaise with Group CEO and Company Secretary on the agenda for Board meetings.

The Chairman also acts as facilitator for meetings to ensure:

- Adequacy of notice of Board meetings;
- Adequacy of information for Board meetings;
- No member dominates the discussion;
- Full discussion takes place;
- The variety of opinion among Board members is drawn out; and
- Endeavours to obtain consensus in the Board but may, when he feels necessary, call for a vote.

(b) Group CEO

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

The Group CEO is responsible for the day-to-day management of LBI Group with all powers, discretions and delegations authorised, from time to time, by the Board.

Roles and Responsibilities of Group CEO

The Group CEO reports to the Board on the following:

- All matters that materially affect the Company and its performance;
- Any underperforming businesses/activities of the Company and outline proposals to rectify the situation;
- All material matters that affect or could affect shareholders and the markets in which the shareholders' interests are traded;
- The effectiveness of the organization and its management against relevant benchmarks; and
- Review of succession planning for the Company, and ensure the systems thereof are in place.

4.9 Directors' Training and Continuing Education Programmes

The Board constantly participates in training programmes, seminars and conferences to keep themselves abreast with changes and new developments, both in the legal and commercial aspects.

5.0 Process and Procedure for Board Meetings

5.1 Meetings

The Board holds at least four (4) regular meetings per year. Additional meetings may be scheduled if necessary to discuss and resolve on urgent basis. Meetings are called with sufficient notice period. Participation via telephone is permitted. Directors are expected to attend all Board and Committee meetings on which they serve. Board members are also expected to spend the time needed to discharge their responsibilities appropriately.

Unless varied by the terms of reference, meetings and proceedings of the Board will be governed by the Constitution of the Company.

The Board may invite external parties such as auditors (both internal and/or external auditors), solicitors or consultants as and when the need arises. Such invited parties may attend part or all of the Board meeting at the discretion of the Board.

5.2 Notice of Meeting, Agenda and Board Papers

The Company Secretary prepares the notice of meeting and agenda for each meeting. The Company generally adopts the Constitution of the Company for disseminating notice of meeting and agenda. The appropriate preparatory Board papers are sent to the Board members in advance of the meetings to allow adequate meeting preparation.

Minutes of all Board meetings are properly recorded in substantial detail and length, including issues discussed in arriving at decisions and the minutes shall be reviewed and approved by the members of the Board.

6.0 Directors' Remuneration

6.1 Salary for Executive Directors

The Nomination and Remuneration Committee recommends the remuneration package for the Executive Directors to the Board for approval. The Executive Directors abstain from deliberation and voting on decisions in respect of their own remuneration.

6.2 Fees for Non-Executive Directors

Non-Executive Directors are paid yearly fees as recommended by the Nomination and Remuneration Committee to the Board for shareholders' approval at the AGM.

6.3 Meeting Allowances for Non-Executive Directors

Attendance allowances are also paid to the Non-Executive Directors for each Board or Committee meeting they attend.

6.4 Other Benefits for Directors

Benefits payable to the Directors as recommended by the Nomination and Remuneration Committee to the Board (if any) shall be approved by the shareholders at a general meeting.

7.0 Relationship with Management

All Directors are provided with the necessary information relating to the business, operations and financial matters of the Company and the Group.

The Board will link the Company's governance and management functions through the Chairman with the Group CEO. All Board authority conferred on Management is delegated through the Group CEO so that the authority and accountability of Management is considered to be the authority and accountability of the Group CEO so far as the Board is concerned.

All Directors have full and unrestricted access to the Senior Management within the Group and are entitled to the advice and services of the Company Secretary. Further, Directors may obtain independent professional advice relating to the affairs of the Group where necessary at the Company's expense, in order for them to discharge their responsibilities.

8.0 Board and Member Assessment

The Nomination and Remuneration Committee is given the responsibility to review annually the activities and effectiveness of the Board and the Board Members. The Chairman of the Nomination and Remuneration Committee oversees the overall evaluation process. The assessment report will be discussed with the full Board.

The Nomination and Remuneration Committee is also required to undertake an assessment of the Company's Independent Directors annually. The said assessment report will be discussed with the full Board.

The Nomination and Remuneration Committee is also responsible to review the term of office and performance of the Audit and Governance Committee and each of its members annually. The said assessment report will be discussed with the full Board.

The performance of the Group CEO are assessed based on the KPIs approved by the Board.

9.0 Communication between Board and Shareholders

The Board recognises the importance of effective communication with shareholders, investors and the public in general. In this respect, the Board keeps shareholders, investors and the public informed through announcements, releases of quarterly financial results, annual reports, circulars and general meetings.

Shareholders' communication policy was implemented to handle the process of handling queries from its shareholders.

The AGM is the principal forum for communication with shareholders. The notices of the AGM and annual reports are sent to shareholders at least twenty-one (21) days before the AGM.

10.0 Review of Board Charter

The Board will periodically review this Charter to ensure that it remains consistent with the Board's objectives and any new regulations that may have an impact on the discharge of the Board's responsibilities.