



**RCE Capital Berhad**  
Company No. 2444-M

## **BOARD CHARTER**

### **1. INTRODUCTION**

The Board is responsible for the proper stewardship of RCE Capital Berhad (“Company”) and its subsidiaries (collectively “Group”). The Board is to uphold the value of good corporate governance by continuously advocating transparency, accountability, integrity and responsibility to enhance long term shareholders’ value and safeguarding the stakeholders’ interests.

### **2. PURPOSE**

This Board Charter sets out the role, functions, composition, operation and processes of the Board of Directors (“Board”) of the Company and is to ensure that all Board members acting on behalf of the Company are aware on their duties and responsibilities as Board members.

This Board Charter would act as a source reference to guide Board members and senior management on the matters set out in the preceding paragraph. It will also assist the Board in assessment of its own performance and that of its individual Directors.

### **3. KEY VALUES AND GUIDING PRINCIPLES**

The Board commits to working collectively to promote management excellence, treat all stakeholders with fairness and respect, strive to ensure continuous improvement through the exercise of focused intelligence, act with integrity and constantly create value to stakeholders.

The Board is guided by the following principles:

- (a) Integrity and Ethics: Upholding high level of honesty, ethical standards and professionalism in all aspects of decision making and in the discharge of the Board’s obligations;
- (b) Fairness: Minority shareholders, investors and other stakeholders are treated fairly and their interests are taken into account;
- (c) Transparency: Ensure proper governance of business and affairs by adhering to laws and regulations and adequate and timely disclosure of information to stakeholders where applicable;
- (d) Accountability: Senior Management is accountable to the Board for achieving plans and implementing approved policies that ensure the safeguarding of assets and the financial viability of the Company.

- (e) Responsibility: In order to have accountability for results to the relevant stakeholders, the Board has provided for clear lines of responsibility in terms of delegations of authority and which actions or decisions require board approval or shareholder approval.

## 4. THE BOARD

### 4.1 Board Membership

#### *i. Composition*

The Board should consist of qualified individuals with different backgrounds and specialisations, collectively bringing considerable knowledge, judgment and experience to the Board. The Directors' stewardship responsibilities include setting policies and strategies, performance monitoring, allocation of resources, risk assessment and management as well as improving governance and controls.

The Company's Constitution provides for a minimum of two (2) directors. At any one time, at least two (2) or one-third (1/3), whichever is higher, of Board members must comprise of Independent Directors.

The composition and size of the Board shall be reviewed from time to time to ensure its appropriateness.

#### *ii. Boardroom Diversity*

The Board aims to maintain a diversity of experiences, skills and attributes among the Directors. In addition, the Board intends to pursue gender, age and ethnicity diversity across the Group as a combination of personalities that provides a comprehensive range of perspectives and experiences resulting in improved quality of decision making.

The Board shall endeavour to have women representative(s) on the Board. Whilst the Board acknowledges the importance of boardroom diversity, appointments to the Board shall always be based on merit.

#### *iii. Appointments and Re-election*

The appointment of a new Director is a matter for consideration and decision by the full Board, upon the recommendation from the Nomination & Remuneration Committee ("NRC"). In making these recommendations, the NRC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, experience, character, integrity, competence, time commitment and other qualities, which the Director would bring to the Board.

The Constitution provides that all Directors who are appointed by the Board may hold office until the following Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are required to retire by rotation at the

AGM. Further, one-third (1/3) of the Directors are subject to retirement by rotation at every AGM but are eligible for re-election provided always that all Directors shall retire from office at least once every three (3) years.

iv. *Independence of Director*

The Board must annually assess the independence of each Independent Director in light of the interests they have disclosed. The assessment also takes into consideration the criteria laid out in the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Listing Requirements”) and such other factors as the Board determines appropriate to take into account in determining whether the Director is independent of management; and free of any business or other relationship that could materially interfere with, or could be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

v. *Tenure of Independence of Director*

The tenure of an Independent Director shall not exceed a cumulative term of twelve (12) years. Upon completion of the twelve (12) years, the Independent Director may continue to serve the Board subject to the Director being re-designated as a Non-Independent Director.

vi. *New Directorships*

Directors must devote sufficient time to prepare for and attend Board meetings, and maintain a sound understanding of the business of the Company as well as relevant market and regulatory developments. This includes a commitment to on-going education.

Prior to accepting appointment(s) in other companies, Directors should ensure that the appointment(s) are not in conflict with the Company’s business and do not affect the discharge of their duties as Director of the Company. Directors shall notify the Chairman of the Board and the Company Secretary of the new Board appointment(s) in other companies within fourteen (14) days of the appointment(s).

#### 4.2 Role of the Board

The Board has overall responsibility for promoting the sustainable growth and financial soundness of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board assumes, amongst others, the following duties and responsibilities:

- (a) reviewing, adopting and monitoring the overall strategic business plan and direction of the Group and ensure that the strategic plan supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;

- (b) together with Senior Management, promoting good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- (c) overseeing the conduct of the Group's business to evaluate whether the business is properly managed;
- (d) to exercise independent judgement in decision making;
- (e) to devote adequate time and attention in discharging duties and responsibilities effectively;
- (f) to ensure full compliance and to carry out the duties of the Board in accordance with the relevant provisions of the Listing Requirements and all other applicable laws, regulations and guidelines;
- (g) to ensure that the Company has in place procedures to enable effective communication with shareholders, regulators and other stakeholders and encouraging the use of information technology;
- (h) reviewing the adequacy and integrity of the Group's management information and internal control systems;
- (i) to determine the Group's overall 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 affecting the Group's business and recognise the business decision involve the taking of appropriate risks;
- (j) to 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; and
- (k) to ensure the integrity of the Company's financial and non-financial reporting.

#### 4.3 Matters reserved for the Board

The following are matters specifically reserved for the Board:

- (a) approval of corporate/strategic plans and programmes;
- (b) approval of annual budgets, including major capital commitments and capital expenditure budgets;
- (c) recommendation of dividends;
- (d) approval of new major ventures;

- (e) approval of material acquisitions and disposals of undertakings and properties of substantial value;
- (f) approval of changes to the Management and control structure within the Group, including key policies and delegated authority limits;
- (g) appointment of Board members, Board Committee members, Chief Executive Officers and the Company Secretaries; and
- (h) Any other matters which are required to be approved by the Board pursuant to the applicable rules, laws and regulations.

#### 4.4 Role of Individual Directors

Directors are expected to demonstrate at all times that they:

- (a) act in good faith and in the best interests of the Company as a whole and for proper purpose;
- (b) exercise reasonable care, skill and diligence subject to business judgement rule;
- (c) avoid conflict of interest with the Company in a personal or professional capacity;
- (d) refrain from making improper use of information gained through the position of Director and from taking improper advantage of the position of Director;
- (e) disclose and abstain from voting on matters of material personal interest; and
- (f) comply with applicable laws, regulations and Listing Requirements.

Directors shall keep all Board information, discussions, deliberations and decisions that are not publicly known confidential and not use information gained through the Board for their interest.

#### 4.5 Role of Independent Directors

Independent Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders, and not only the interest 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.

4.6 Chairman and Managing Director (“MD”)/Chief Executive Officer (“CEO”)

The Chairman of the Board shall be a non-executive member of the Board.

The role of Chairman and MD/CEO are separate with clear distinction of responsibility between them to ensure a balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the MD/CEO has overall responsibility for the day-to-day management of the business and implementation of the Board policies and decisions.

The responsibilities of the Chairman, among others, are as follows:

- (a) to lead the Board and ensure its effectiveness of all aspects of its role;
- (b) to lead the Board in establishing and monitoring good corporate governance practices in the Company;
- (c) to ensure the efficient organisation and conduct of the Board’s function and meetings and ensure that Board members receive complete and accurate information in a timely manner to facilitate decision making;
- (d) to facilitate the effective contribution of all Directors at Board meetings. This includes encouraging active participation by all Directors and allowing dissenting views to be freely expressed;
- (e) to act as facilitator at Board meetings and to ensure that no Board member, MD/CEO or Management member dominates discussion;
- (f) to promote constructive and respectful relations between Directors, and between the Board and Management;
- (g) to provide guidance and mentoring to the MD/CEO;
- (h) to ensure the process of Board evaluation is conducted; and
- (i) to ensure effective communication with shareholders and relevant stakeholders and that their views are communicated to the Board as a whole.

The responsibilities of the MD/CEO, among others, are as follows:

- (a) to develop and implement corporate strategies for the Group and set the direction of the Group’s business based on effective risk management controls;
- (b) to supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Group;
- (c) to ensure the efficiency and effectiveness of the operation for the Group;

- (d) to assess business opportunities which are of potential benefit to the Group;
- (e) to ensure that financial management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with relevant laws and regulations;
- (f) to provide effective leadership to Management and is responsible for ensuring high management competency and that an effective management succession plan is in place to sustain continuity of operations;
- (g) to act as conduit between the Board and Management in ensuring the success of the Company's governance and management functions and bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

#### 4.7 Board Committees

The Board may from time to time establish Committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to its Committees to assist in the execution of its responsibilities.

As at now, the Committees are as follows:

- (a) Audit Committee;
- (b) Nomination & Remuneration Committee;
- (c) Options Committee; and
- (d) Sustainability Management Committee.

The Committees shall operate under their respective defined terms of reference. The Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their terms of reference. Regular reviews on the roles and responsibilities of the Committees would be conducted, when the need arises, to ensure that the Company is able to adapt to changing business circumstances.

The position of Chairman of the Board and Chairman of the Audit Committee shall be held by different individuals in order not to impair objectivity of the Board's review of the Audit Committee's findings and recommendations.

The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

#### 4.8 Board Meetings

The Board shall conduct at least four (4) scheduled meetings annually, with additional meetings to be convened as and when necessary.

All Board meetings shall be chaired by the Chairman of the Board. In the absence of the Chairman and/or an appointed deputy, the Directors present shall elect one of themselves to chair the meeting. In the absence of a meeting, decisions shall be made by way of circular resolutions.

The notice of Board meetings is issued at least seven (7) days prior to the meeting. A full agenda and comprehensive Board papers are circulated to all Directors in advance of each Board and Board Committee meeting to allow ample time for Directors to study and evaluate the matters to be discussed and subsequently make effective decisions. The reports cover the areas of corporate, financial, operational and regulatory compliance matters.

The minutes of meetings shall record the deliberation, in terms of the issues discussed and the conclusions thereof. The draft minutes shall be circulated together with the Board papers for the following Board and Committee meeting.

#### 4.9 Directors' Remuneration

The Board, through the Nomination and Remuneration Committee, shall establish a formal and transparent remuneration framework for Directors. The remuneration framework shall be appropriate to attract and retain the services of Directors.

The determination of the remuneration of the Executive Directors will be a matter to be decided by the Board as a whole, taking into consideration the recommendations of the Nomination & Remuneration Committee. The mechanism for remuneration for Executive Directors is structured in a manner wherein an Executive Director is rewarded based on the Company's performance and also individual performance.

The remuneration of Non-Executive Directors shall similarly be decided by the Board after taking into consideration the recommendations of the Nomination and Remuneration Committee. The level of remuneration reflects the contribution and level of responsibilities undertaken by the particular Non-Executive Director.

#### 4.10 Directors' Assessment/Board Evaluation

The Board, with the assistance of the Nomination and Remunerations Committee, shall review and evaluate its own performance and the performance of its members and Committees on an annual basis.

#### 4.11 Directors' Training, Induction and Continuing Education

All new Directors appointed to the Board shall attend the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad ("Bursa Securities"), and undertake an induction programme facilitated by the Company, where they are fully briefed on the terms of their appointment, duties and responsibilities and the Board's expectations in terms of their knowledge contribution.

New Directors will also be briefed on the operations of the Group to increase their understanding of the business and the environment and markets in which the Group operates, the current issues faced and strategies adopted by the Group.

The Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning. This will enable Directors to effectively discharge their duties and sustain active participation during Board deliberations.

The Board, through the Nomination and Remunerations Committee, shall annually review and assess the training needs of its Directors from time to time.

#### 4.12 Succession Planning

The Board shall ensure that all candidates appointed to the Board and Senior Management positions are of sufficient calibre. The Board shall satisfy itself that there are programmes in place to provide for the orderly succession of the Board and Senior Management. The Board is responsible for the following:

- (a) Assume the responsibility of ensuring a succession plan is in place including appointing, training, fixing the compensation of and, where appropriate, replacing, members of the Board, Board Committees and Senior Management. The Board shall work with the Nomination and Remuneration Committee on succession planning;
- (b) Select, appoint and determine terms of appointment of the MD/CEO; and
- (c) Approve the appointment of Board members, members of the Board Committees and Senior Management of the Group as recommended by the Nomination and Remuneration Committee, and monitor their performance.

#### 4.13 Directors' Code of Conduct and Ethics

The Board commits itself and its Directors to ethical, business-like, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly, all Directors shall apply ethical principles and standards of behaviour as set out in the Directors' Code of Conduct and Ethics adopted by the Board.

### **5. DELEGATION OF RESPONSIBILITIES TO MANAGEMENT**

Management operates through functions such as planning, organising, staffing, leading/directing, controlling/monitoring, and motivation delegated to them by the Board. These functions enable Management to create strategies and compile resources to lead operations and monitor outputs.

The responsibilities of the Management, amongst others, are as follows:

- (a) developing and proposing for the Board's approval, strategic plan and annual budget for the Group to ensure achievement of the objectives set by the Board;
- (b) Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Group that were approved by the Board are met;
- (c) running and managing the operations of the Group in a proper manner and in accordance with the Board's approved strategic plan within the authority limit set by the Board;
- (d) setting up of an appropriate and effective internal control measures and risk management framework. Identifying, assessing, managing and monitoring key risks;
- (e) assisting the Board in the establishment of the Group's policies by developing such policies for the Board's review and approval for adoption and implementation;
- (f) developing effective management information and internal control systems of the Group to ensure that integrity and adequacy of the systems are intact;
- (g) reporting to the Board periodically on the performance of the Group against the approved plan and budget as well as other matters that is under the Board's purview in order to enable the Board to discharge its responsibilities effectively; and
- (h) reporting to the Board on matters that required their decision/approval or of significance to the Group.

## **6. COMPANY SECRETARY**

The Company Secretary plays an important advisory role and is a source of information and advice to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group. All Directors have direct access to the advice and services of the Company Secretary.

The Board shall appoint someone who is capable of carrying out the duties to which the post entails, and the removal of the Company Secretary shall be a matter of the Board as a whole. The Company Secretary shall be of a senior position with adequate authority and shall report directly to the Board.

The specific responsibilities of the Company Secretary are as follows:

- advise the Board on its roles and responsibilities;
- monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;
- facilitate the orientation of new Directors and assist in director training and development;
- advise the Board on corporate disclosures and ensuring compliance/obligations with company and securities regulations and Listing Requirements;
- notify the Chairman of any possible violations of regulatory requirements;
- manage all Board meetings, attend and record minutes of the meetings, facilitate Board communication and ensure that the decisions of the Board and Committees are relayed to Management to act upon;
- ensuring that all appointments to the Board and Committees are properly made;
- maintaining records for the purposes of meeting statutory obligations;
- ensuring that obligations arising from the Listing Requirements or other regulatory requirements are met;
- facilitating the provision of information as may be requested by the Directors from time to time; and
- supporting the Board in ensuring adherence to Board and Committees policies and procedures.

## **7. INVESTOR RELATIONS AND STAKEHOLDERS COMMUNICATION**

The Board shall place great importance in ensuring the high standards of transparency and accountability in its communication to shareholders, as well as to potential investors, analysts and the public. The shareholders and investors shall be informed regularly of all material matters affecting the Group in conformity with the disclosure requirements.

The AGM is the principal forum for dialogue and interaction with shareholders. At each AGM, a presentation is given by a member from senior management to explain the Group's strategy, performance and major developments to shareholders. The Board also encourages shareholders to participate in the question and answer session at the AGM.

The Board also ensures timely announcements and disclosures are made to the Bursa Securities, which includes quarterly financial results, Group's corporate proposals, changes in the composition of the Group and any other material information that may affect investors' decision making.

The Company shall leverage on information technology for effective dissemination of information. The Company's website provides easy access to corporate information pertaining to the Group and its activities and is continuously updated. Summary of key matters discussed at each AGM, corporate and financial information of the Group as well as the Company's announcements to Bursa Securities are also made available to the public through the Company's website at [www.rce.com.my](http://www.rce.com.my).

**8. ACCESS TO INFORMATION, MANAGEMENT AND INDEPENDENT PROFESSIONAL ADVICE**

The Board has complete and unrestricted access to information relating to the Group's businesses and affairs. The Board may require to be provided with further details on the matters to be considered. Senior management are invited to attend the Board meetings to brief and provide comprehensive explanation on pertinent issues. Professional advisers appointed by the Company for corporate proposals to be undertaken by the Company would also be invited to render their advice and opinion to the Directors.

The Directors, whether collectively as a Board or in their individual capacity, have the liberty to seek external and independent professional advice, if so required by them, in furtherance of their duties at the Company's expense.

**9. REVIEW OF THE BOARD CHARTER**

This Board Charter was adopted by the Board on 27 May 2013. Any subsequent amendment to the Charter must be approved by the Board.

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.