

**AVILLION BERHAD**  
**(Formerly known as Reliance Pacific Berhad)**  
**(244521 A)**  
**(Incorporated in Malaysia)**

**BOARD CHARTER**

**Definitions:**

<b>“Act”</b>	Companies Act 2016
<b>“Board” or “Directors”</b>	: The Directors for the time being of the Company or such number of them as have authority to act for the Company.
<b>“Bursa”</b>	: Bursa Malaysia Securities Berhad
<b>“Company”</b>	: Avillion Berhad
<b>“CEO”</b>	: The principal executive officer of the Company for the time being, by whatever name called, and whether or not he or she is a Director.
<b>“Code”</b>	: Malaysian Code on Corporate Governance and as amended from time to time.
<b>“Group”</b>	: The Company and its subsidiaries.
<b>“LR”</b>	: Bursa Securities Main Market Listing Requirements including any relevant practice and/or guidance notes, directives, guidelines issued pursuant thereto and any amendment, modification, supplemental to the listing requirements that may be made from time to time.
<b>“Company Secretary”</b>	: Any person or persons jointly appointed to perform the duties of a secretary of the Company including any person(s) appointed temporarily and any representative of the secretary.

**1. INTRODUCTION**

The Board supports Practice 2.1 *“The board has a board charter which is periodically reviewed and published on the company’s website”* as laid out in the Code. The Board is responsible for stewardship of the Group and has constituted the Board Charter that forms an integral part of each Director’s duties and responsibilities.

**2. THE BOARD OF DIRECTORS**

**2.1 Board Composition and Board Balance**

The Board should be well balanced with qualified individuals with diverse experience, character, integrity, competence and time to effectively discharge their responsibilities and duties legally under the various laws, regulations and rules as company director.

The Board is committed to ensure good governance practices as recommended under the Code by:

- (a) At least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors, in compliance with Rule 15.02 (Independent Directors) of the LR.

Rule 1.01 of the LR provides the definition of Independent Directors as a Director who is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Group. Without limiting the generality of the foregoing, an independent Director is one who:

- i. Is not an Executive Director of the Company or any related corporation of the Company.
  - ii. Has not been within the last 2 years and is not an officer (except as a Non-Executive Director) of the Company. For this purpose, "officer" has the meaning given in section 2 of the Act.
  - iii. Is not a major shareholder of the Company.
  - iv. Is not a family member of any Executive Director, officer or major shareholder of the Company.
  - v. Is not acting as a nominee or representative of any Executive Director or major shareholder of the Company.
  - vi. Has not been engaged as an adviser by the Group under such circumstances as prescribed by Bursa or is not presently a partner, Director (except as an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Group under such circumstances as prescribed by Bursa.
  - vii. Has not engaged in any transaction with the Group under such circumstances as prescribed by Bursa or is not presently a partner, Director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the Group under such circumstances as prescribed by Bursa.
- (b) The appointment of Directors shall be recommended by the Nomination and Remuneration Committee and approved by the Board. Upon appointment, each Director shall be provided with a formal letter setting out the Director's duties, obligations, expected commitment, remuneration package and other entitlement. The letter shall be signed by the CEO on behalf of the Company.
- (c) The Board may appoint a Senior Independent Non-Executive Director to whom shareholders' concerns can be conveyed if there are reasons that contact through the normal channels of the chairman or the CEO have failed to resolve them.
- (d) The Board shall appoint the Senior Independent Director as the chairman of the Nomination and Remuneration Committee, unless a better candidate is available.
- (e) The positions of the Chairman and the CEO shall be held by different individuals, and the Chairman must be a Non-Executive member of the Board.
- (f) The Group adopts gender diversity through its board, Management and staff composition. The Board welcomes suitably and qualified female Directors to come on the Board subject to the evaluation and assessment by the Nomination and Remuneration Committee following the criteria set by the Code and the LR.

## **2.2 Directors Nomination**

The Board will ensure that each of its Directors, CEO or Chief Financial Officer has the character, experience, integrity, competence and time to effectively discharge his/her role as a Director, CEO or Chief Financial Officer, as the case may be, of the Company.

All nominations of candidates for the positions of Directors and CEO must be submitted to the Nomination and Remuneration Committee for consideration. The Nomination and Remuneration Committee shall base its recommendation on the guidelines as detailed hereunder before recommending the candidates to the Board for approval:

- (a) Age limit
- (b) In accordance with the LR, Act and any other regulatory compliance
- (c) Work experience
- (d) Qualifications
- (e) Personal background
- (f) Competencies
- (g) Directorships

## **2.3 Tenure of Directors**

Every newly appointed Director shall be subjected to re-election at the Company's next Annual General Meeting ("AGM") subsequent to their appointment. Furthermore, one third (1/3) of the Board (including the Managing Director) shall retire from office and be eligible for re-election at every AGM, and all Directors shall submit themselves for re-election once at least every three (3) years.

Practice 4.2 of the Code states that 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 re-designation as a Non-Independent Director.

However, an Independent Director may be retained as an Independent Director after a cumulative term of nine (9) years, subject to:

- (a) An assessment and recommendation of the Nomination and Remuneration Committee.
- (b) The Board recommends with strong justification for shareholders' approval in a general meeting.

If the board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

## **2.4 External Board Appointments**

Any Board member, whilst holding in office, is at liberty to accept other board appointments so long as the appointment is not in conflict with the business of the Group and does not detrimentally affect the Director's performance as a Board member. All such appointments must first be notified to the Chairman before being accepted. The notification should include an indication of time that will be spent on the new appointment.

### 3. ROLES AND RESPONSIBILITIES

#### 3.1 Roles and Responsibilities of the Board

The Board shall lead and manage the Group in an effective and responsible manner and all the Directors have an equal responsibility for the Group's operations and corporate accountability.

The Board shall have all powers necessary for managing and for directing and supervising the management of the business and affairs of the Group pursuant to the Act or the Constitution of the Company.

- Section 211 (1) of the Act states that the business and affairs of a company must be managed by or under the direction of the Board of Directors.
- Section 211 (2) of the Act states that the Board of Directors has all the powers necessary for managing and directing and supervising the management of the business and affairs of the company.

The Board recognizes the following specific roles and responsibilities:

- (a) Review and approve strategic initiatives including corporate business restructuring or streamlining and strategic alliances
- (b) Oversee the conduct of the Group's businesses to evaluate whether the businesses are being properly managed
- (c) Approve the nomination, selection, succession policies, and remuneration packages for the Board members, Board Committee members and CEO, and the annual manpower budget for the Group, including managing succession planning, appointing, training, fixing the compensation of, and where appropriate replacing key management personnel
- (d) Approve the appointment, resignation or removal of Company Secretaries of the Company
- (e) Approve the shareholder communications policy for the Group
- (f) Identify principal risks and ensure the implementation of appropriate systems to manage these risks
- (g) Review the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines (including the securities laws, Act and LR)
- (h) Review and approve the Audit Committee Report and Statement on Risk Management and Internal Control for the Annual Report
- (i) Prepare a Corporate Governance Statement on compliance with the Code for the Annual Report
- (j) Fix the remuneration of external auditors
- (k) In addition to the above matters, the Board shall not, pass any resolution or take any action with respect to any matter specified below unless a resolution in writing in respect of matters which circulated to all of the Directors and signed by a majority of the Directors for the time being entitled to receive notice of a meeting of the Directors:
  - (i) recommendation to the general meeting of any dividend payment or other distribution or capitalization of any profits or reserves of the Company;
  - (ii) annual budget and business plans of the Group, including any amendments to these budget and plans;
  - (iii) calls for capital contribution from the shareholders;
  - (iv) Company's lien for forfeiture rights in respect of any shares under the Constitution;
  - (v) annual report to be submitted to the general meeting;
  - (vi) any material transaction outside the ordinary course of business of the Group;
  - (vii) commencement or defence or settlement of any litigation or arbitration;
  - (viii) dividend policy for the Company and any changes to be made to such policy;
  - (ix) declaration and payment of any interim dividend;
  - (x) appointment and removal of Chairman, Managing Director and/or CEO, or equivalent positions of the Company;
  - (xi) acceptance of borrowings and / or credit facilities;

- (xii) implementation of any new or additional management or employees share option scheme or share incentive plan or scheme or employee performance scheme or the revision of any such plan or scheme;
- (xiii) any material change in the Company's accounting or reporting practices which would deviate from the generally accepted accounting practices and LR unless such change is to the extent mandatorily required by law;
- (xiv) save as otherwise provided herein, any matter involving the Company with (a) any Director or with another firm, company or corporation in which any Director is interested as a proprietor, partner, director or other officer or creditor of or a shareholder (with a shareholding interest of 20% or more) in, except as a shareholder of a public company or a public corporation whose shares are listed on a stock exchange; or (b) any Shareholder or (c) a corporation related (within the meaning of Section 7 of the Act to the Company or to any of the Shareholders;
- (xv) change of the financial year end of the Company;
- (xvi) financial statements together with directors' and auditors' reports;
- (xvii) policy for remuneration of senior management and (the criteria thereof shall be determined by the Board) and accounting policy;
- (xviii) grant of powers of attorney by the Company other than to banks or financial institutions;
- (xix) creation of any encumbrance, debentures, fixed or floating charges over any of the Group's assets, undertaking and/or properties other than for financing purpose;
- (xx) allotment or issue of the Company's shares;
- (xxi) transfer of the Company's shares
- (xxii) establishing of any joint venture or merger
- (xxiii) change of Terms of Reference of Board Committees; and
- (xxiv) other matters as stipulated in an approved Limits of Authority.

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretary in ensuring the effective functioning of the Board. The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with, or request further explanation, information or updates, on any aspect of the Group's operations or business concerns from the Management.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable the Board to discharge its duties in relation to the matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to approval by the Chairman or the Board, depending on the quantum of the fees involved.

### **3.2 Roles and Responsibilities of the Chairman of the Board**

A Chairman shall be appointed from amongst the Board members to head the orderly conduct and function of the Board. The roles and responsibilities of the Chairman include the following:

- (a) Leading the Board in achieving corporate objectives and long-term success of the Group;
- (b) Reviewing contributions made by Board members, whilst the Nomination and Remuneration Committee is given the task to review effectiveness in terms of performance, and formulate criteria on independence assessment;
- (c) Facilitating effective and productive working relationships between the Executive Directors and Non-Executive Directors;
- (d) Ensuring effective communication with shareholders and stakeholders, in particular, at the annual general meeting, which represents the principal forum for dialogue and interaction with shareholders;
- (e) The Chairman, in consultation with the Company Secretary, sets the agenda for the Board meetings and ensures that all relevant issues are on the agenda;
- (f) The Chairman is responsible for managing the business of the Board to ensure that:

- i. All Directors are properly briefed on issues arising at Board meetings.
- ii. Sufficient time is allowed for the discussion of complex or contentious issues and where appropriate, arranging for informal meeting to enable thorough discussion by the Board;
- (g) At Board meetings, the Chairman plays a mediator's role to maintain the order of the proceedings in a constructive, productive and effective manner; and
- (h) The Chairman will have no casting vote if two (2) Directors form a quorum, or if there are only two (2) Directors competent to vote on the question at issue.

### **3.3 Roles and Responsibilities of the Chief Executive Officer**

The CEO has overall executive responsibility for day-to-day business operations and the implementation of the Board's policies, corporate objectives, performance targets and long-term goals and making operational decisions.

The CEO is responsible for ensuring the provision of accurate, timely and clear information relating to business and financials to the Board of Directors. All Board authorities conferred on the Management is delegated through the CEO and this will be considered the CEO's authority and accountability as far as the Board is concerned.

### **3.4 Roles and Responsibilities of the Independent Non-Executive Directors**

The Independent Non-Executive Directors shall provide independent judgment and objectivity and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Group. The Independent Non-Executive Directors help to ensure that the interests of all shareholders and not only the interests of a particular group and that all relevant matters and issues are objectively and impartially considered by the Board.

The roles and responsibilities of the Independent Non-Executive Director include the following :

- (a) Provide independent judgment and participate actively in meetings, giving independent views in a constructive manner and bringing an element of objectivity to the Board's decision making;
- (b) Provide a check and balance to the Board.

### **3.5 Roles and Responsibilities of the Senior Independent Non-Executive Director**

The roles and responsibilities of the Senior Independent Non-Executive Director include amongst others, the following :

- (a) Ensure all Independent Non-Executive Directors have an opportunity to provide input on the agenda and advise the Chairman on the quality, quantity and timeliness of the information submitted by the Management that is necessary or appropriate for the Independent Non-Executive Directors to perform their duties effectively;
- (b) Consult the Chairman regarding Board meeting schedules to ensure the Independent Non-Executive Directors can perform their duties responsibly and with sufficient time for discussion of all agenda items;
- (c) Serve as the principal conduit between the Independent Non-Executive Directors and the Chairman on sensitive issues;
- (d) Serve as a designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the Chairman and the CEO.

### **3.6 Roles and Responsibilities of the Non-Independent Non-Executive Directors**

The roles and responsibilities of Non-Executive Directors include the following: -

- (a) Provide relevant checks and balances, focusing on shareholders and stakeholders' interests and ensure that high standards of corporate governance are applied;
- (b) Assist in an environment that allows the expression of disagreement when discussing strategic issues.

## **4. BOARD COMMITTEES**

To assist the Board in the discharge of its duties effectively, the Board has delegated certain functions to the following Committees, each operating within clearly defined terms of reference:

- (a) Audit Committee;
- (b) Nomination Committee
- (c) Remuneration Committee

### **4.1 Audit Committee**

The Audit Committee shall be appointed by the Board from amongst their members. The membership of Audit Committee shall consist of not less than 3 members, of which all the audit committee members must be Independent Non-Executive Directors. The Chairman of the Audit Committee shall be an Independent Non-Executive Director, and shall not be the Chairman of the Board.

The role of the Audit Committee includes reviewing the process of preparing and implementing internal procedures, finding solutions and providing avenues for mitigating the elements of risk and maintaining control. In every financial quarter, the Audit Committee reviews the draft announcements for the Group's financial results.

The Audit Committee acknowledges the establishment of the internal audit function of the Group. This is to ensure its independence in discharging its duties and responsibilities. The roles and responsibilities of the internal audit function of the Group include but are not confined to, the following:-

- (a) Appraising the effectiveness and application of administrative, operational and financial controls and the reliability and integrity of data that is produced within the Group.
- (b) Evaluating the adequacy and ascertaining the level of compliance with the Group's policies, plans, procedures and compliance with laws and regulations.
- (c) Ascertaining the adequacy of controls for safeguarding Group's assets from losses of all kinds and as appropriate, verifying the existence of such assets.
- (d) Reviewing the operations of the Group as a whole from the point of view of the economy, efficiency and effectiveness with which resources are employed and making cost effective recommendations to the Management.
- (e) Conducting special review or investigations required by the Management or the Audit Committee or the Board.

### **4.2 Nomination Committee**

The principal objectives of the Committee are as follows :-

Assist the Board in their responsibilities in nominating new nominees to the Board and to assess the performance of the Board, the Committees of the Board and the Directors of the Company on an on-going basis.

The Committee shall also perform such other functions assigned by the Board.

The Board shall elect the Committee members from amongst themselves and it must be composed of no fewer than two (2) members consisting wholly of non-executive Directors, a majority of whom are independent.

No alternate Director shall be appointed as a member of the Committee.

The responsibilities and duties of the Committee are as follows:

- (i) Assess and recommend to the Board, candidates for all directorships. In making its recommendations, the Committee should consider the candidates':
  - technical competency, skills, knowledge, expertise and experience;
  - strong sense of professionalism;
  - integrity;
  - other commitments and time available to contribute inputs to the Board; and
  - in the case of candidates for the position of Independent Non-Executive Directors, the Committee should evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive Directors;
  - diversity
- (ii) Consider, in making its recommendations, candidates for directorships proposed by the CEO and, within the bounds of practicability, by any other senior executive or any Director or Shareholder;
- (iii) Recommend to the Board the nominees to fill the seats on Board's Committees;
- (iv) Review Board and Senior Management succession plans;
- (v) Review the training needs/training programs for the Board and facilitate Board induction and training programs;
- (vi) Review annually, the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference of the Audit Committee;
- (vii) Implement an annual assessment on the effectiveness and performance of the Board as a whole, the committees of the Board, as well as the contribution/performance of each individual Director, including Non-Executive Directors and Executive Director(s). All assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented;
- (viii) Examine the size of the Board with a view to determining the impact of the number upon its effectiveness;
- (ix) Review the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board;
- (x) Develop the criteria to assess independence and to assess on an annual basis, the independence of the Independent Non-Executive Directors and recommend the same to the Board;
- (xi) Recommend the retention of its Independent Non-Executive Directors whose terms have exceeded nine (9) years' tenure for continuance in the office;
- (xii) Recommend the re-election of Directors who retired by rotation pursuant to the Company's Constitution;

- (xiii) Establish time commitment expectations/protocol for the members of the Board;
- (xiv) Review the attendance of the Directors at Board and/or Board Committee(s) Meetings;
- (xv) Establish a policy formalizing its approach to boardroom diversity;
- (xvi) Act in line with the directions of the Board; and
- (xvii) Consider and examine such other matters as the Committee considers appropriate.

#### 4.3 **Remuneration Committee**

The principal objectives of the Committee are as follows:-

Assist the Board in adopting a transparent policy on remuneration of Directors and ensuring the suitability of the remuneration packages of Directors.

The Committee shall also perform such other functions assigned by the Board.

The Committee shall, be authorized to:

- (i) Seek any information it requires from any employee of the Company in order to perform its duties;
- (ii) Obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference; and
- (iii) Call any employee to be questioned at a meeting of the Committee as and when required.

The responsibilities and duties of the Committee are as follows:

- (i) Support the Board in actively overseeing the design and operation of the Company's remuneration system;
- (ii) Review and recommend to the Board on the remuneration of non-executive Directors, particularly on whether the remuneration remains appropriate to each Director's contribution, by taking into account the level of expertise, commitment and responsibilities undertaken;
- (iii) Review and recommend to the Board on the total individual remuneration package for Executive Directors and senior management personnel including, where appropriate, bonuses and incentive payments within the terms of the agreed remuneration policy and based on individual performance;
- (iv) Oversee the qualitative and quantitative disclosures of remuneration made in the annual report and notice to general meetings; and
- (v) Provide clarification to shareholders during general meetings on matters pertaining to remuneration of Directors and senior management as well as the overall remuneration framework of the Company.

#### 5. **THE BOARD MEETING**

The Chairman shall ensure that the Board meets on a regular basis throughout the financial year and shall have guidelines of meetings which include the following:

- (a) A structured formal agenda and Board meeting papers relating to the agenda are circulated to all Directors at least 5 working days before each Board meeting;
- (b) Adherence to the Constitution of the Company which stipulates the procedures for convening board meetings and the size and required attendance for the Board's quorum;
- (c) Board meeting agendas shall be the responsibility of the Chairman with input from Board Members and/or the Company Secretary;
- (d) The Company Secretary shall be appointed as Secretary of the Board Meeting and minutes of meetings shall be taken and signed by the Chairman of the Board Meeting;
- (e) Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any director during office hours;
- (f) The Board and Board Committees are also allowed to carry out the resolution by way of circulation.
- (g) Individual directors must attend at least 50% of the Board meetings held in each financial year or such other percentage as may be prescribed by the LR;
- (h) The participation of a Director can be facilitated by means of video or telephone conferencing; and
- (i) The relevant Management personnel or external advisors may be invited to attend the Board meetings.

## **6. CONTINUING EDUCATION PROGRAMMES**

The Board members should attend continuous professional development programmes to keep abreast with corporate governance developments.

Newly appointed Directors are required to attend the Mandatory Accredited Programme ("MAP") prescribed by the LR and are also invited to attend an in-house orientation programme which is usually conducted after their effective appointment date.

The Directors shall continue to attend relevant training programmes conducted by external experts. The Management shall, from time to time, provide updates regarding any latest amendments pertaining to the LR and statutory provisions or new regulations and accounting standards imposed by the relevant authorities.

## **7. DIRECTORS REMUNERATION**

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Group successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve these goals.

The level of remuneration for Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions within the similar industry. The Director concerned shall abstain from deliberation and voting on his/her own remuneration.

No director other than Executive Directors shall have a service contract with the Group.

A formal independent review of the Directors' remuneration is undertaken no less frequently than once every three (3) years.

## **8. BOARD EVALUATION AND PERFORMANCE**

The Nomination and Remuneration Committee shall evaluate the performance of the Board members on an annual basis.

The Audit Committee and Risk Management Committee shall also be reviewed by the Nomination and Remuneration Committee to ascertain its performance and effectiveness on an annual basis.

The Board as a whole shall review the performance and effectiveness of the Nomination and Remuneration Committee on an annual basis.

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

The Board is mindful of the importance of maintaining proper corporate disclosure procedures with the aim of providing shareholders and investors with comprehensive, accurate and quality information on a timely basis.

The Company's website incorporates an Investor Relations ("IR") section which provides all relevant information on the Group and is accessible by the public. This section enhances the IR function by including, inter-alia, all announcements made by the Company, annual reports, board charter and the corporate and governance structure of the Group. The Company shall enhance the disclosures on its website for broader and effective dissemination of information to its stakeholders from time to time.

In addition to the above, time will be allocated during annual general meetings for dialogue with shareholders to address issues concerning the Group. From the Company's perspective, the annual general meetings also serve as a forum for the Directors and the Management to engage with the shareholders directly to understand their needs and to seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

## **10. RELATIONSHIP WITH OTHER STAKEHOLDERS**

The Board should ensure there is effective, transparent and regular communication with its stakeholders. In carrying out the objectives of sustainability, the Board shall continuously review and update policies relating to:-

### **10.1 Employees**

The Group provides training and skills enhancement programs to its employees from time to time in view of the Group's strong emphasis on enhancing the skill sets of its employees.

### **10.2 Environment**

The Board recognizes the need to safeguard and minimize the impact to the environment in the course of achieving the Group's corporate objectives. The Board supports initiatives on environmental issues and abide by all environmental impact laws and regulations in the course of its projects.

### **10.3 Social Responsibility**

The Board acknowledges that the Group should play an important role towards the welfare of the community in which it operates. The Board shall support charitable causes and initiatives on community development projects.

This Board Charter was adopted by the Board on 13 July 2018. Any subsequent amendment to the Charter must be approved by the Board.

The Board Charter will be periodically reviewed by the Board and updated in accordance with the needs of the Group and any new regulations that may have an impact on the discharge of the Board's responsibilities.

**END**