

**SCIENTEX BERHAD**  
**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

**Composition**

1. The Audit Committee shall be appointed by the Board of Directors from amongst the Directors and shall consist of not less than three (3) members whereby at least one member of the Audit Committee:
  - i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
  - ii) if he is not a member of the MIA, he must have at least three (3) years' working experience and;
    - a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - iii) must hold a degree/master/doctorate in accounting or finance and have at least three (3) years' post qualification experience in accounting and finance; or
  - iv) must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
2. All the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors.
3. No alternate Director is to be appointed as a member of the Audit Committee.
4. The members of the Audit Committee must elect a Chairman from amongst their number who is an Independent Non-Executive Director.
5. In the event of any vacancy in Audit Committee resulting in non-compliance of paragraphs 1, 2 and 4 above, the Board shall within three (3) months of that event, appoint such new members as may be required to fill the vacancy.
6. The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually.

**Authority**

The Audit Committee is authorised by the Board to:

- i) investigate any matter within its terms of reference;
- ii) have the resources which are required to perform its duties.

- iii) have full and unrestricted access to any information pertaining to the Company and shall have the resources it requires to perform its duties. All employees are directed to co-operate with any request made by the Audit Committee.
- iv) obtain outside legal or other independent professional advice as necessary to assist the Audit Committee in fulfilling its duties.
- v) have direct communication channels with the external auditors and person(s) carrying out the internal audit function activity.
- vi) convene any meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

### **Functions and Duties**

The functions and duties of the Audit Committee include the following:-

- i) to review the following and report the same to the Board
  - a) with the external auditors, the audit plan;
  - b) with the external auditors, their evaluation of the system of internal controls;
  - c) with the external auditors, their audit report;
  - d) the assistance given by the employees of the Company to the external auditors;
  - e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - f) the internal audit programmes, processes, the results of the internal audit programmes, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - g) the quarterly results and year-end financial statements of the Group and the Company, focusing particularly on:-
    - changes in or implementation of major accounting policies and practices;
    - significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions and how these matters are addressed; and
    - compliance with accounting standards and other legal requirements; and
  - h) any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- ii) to discuss problems and reservations arising from the final audit, and any matter the auditors may wish to discuss (in the absence of management where necessary).
- iii) to recommend the nomination of a person or persons as external auditors and consider the appointment of the external auditors and to review its subsequent re-appointment, the audit fee and any questions of resignation or dismissal and report the same to the Board.

- iv) to consider any other functions or duties as may be agreed to by the Audit Committee and the Board.

### **Meetings and Reporting Procedures**

The Audit Committee shall meet at least four (4) times in a financial year. The Chairman may call for additional meetings at any time at his discretion or if requested to do so by any member or the internal or external auditors to consider any matter within the scope and responsibilities of the Committee. The quorum for a meeting shall consist not less than two (2) members, the majority of those present must be Independent Directors.

The Group Financial Controller, representative of the external auditors, other Board members, employees and/or external independent professional advisers may attend meetings upon the invitation of the Audit Committee.

Notice of the proposed agenda for each meeting is distributed in a timely manner to the members of the Audit Committee. As a reporting procedure, the secretary of the Audit Committee shall keep the minutes of each meeting and circulate to the members of the Audit Committee and also to all members of the Board for notation and action, where necessary.

# **SCIENTEX BERHAD**

## **NOMINATION AND REMUNERATION COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. PURPOSE**

The Nomination Committee and Remuneration Committee of the Company were established on 18 November 2003. The Nomination Committee and Remuneration Committee have subsequently been merged and streamlined into a single Nomination and Remuneration Committee with effect from 19 September 2017. Its primary functions are to propose new nominees for the Board of Directors (“Board”) of the Company, assess Directors’ performance on an ongoing basis, set the remuneration policy and procedure framework and recommend to the Board on remuneration packages and/or benefits extended to the Directors, drawing advice from experts, if necessary. The Board shall be responsible for making decision on the appointment of new nominees and the remuneration packages for all Directors after considering the recommendations of the Nomination and Remuneration Committee.

#### **2. COMPOSITION**

The Nomination and Remuneration Committee shall be appointed by the Board from amongst the Directors and shall consist of exclusively of Non-Executive Directors, a majority of whom are independent. The Board shall also appoint one of the members of the Nomination and Remuneration Committee as the Chairman of the Committee.

#### **3. FUNCTIONS, DUTIES AND AUTHORITY**

The functions and duties of the Nomination and Remuneration Committee shall include the following:

##### **3.1 Nomination**

- (a) To propose new nominees for the Board, whether to be filled by shareholders or executives. The Committee shall also consider candidates for directorships proposed by the Managing Director and, within the bounds of practicability, by any senior executive or any Director or shareholder;
- (b) To make recommendations to the Board on Directors to fill seats on Board committees;
- (c) To assist the Board in annually reviewing the required mix of skills and experience and other qualities, including core competencies, which the Directors should bring to the Board;

- (d) To annually assess; (i) the board composition and effectiveness of the Board as a whole; (ii) the committees of the Board; (iii) the performance and contribution of each individual Director etc. The assessment process and criteria shall be pre-determined by the Board and/or Committee; and
- (e) To develop succession planning policy and ensure that the policy is reviewed periodically.
- (f) To perform any other functions or duties as may be agreed to by the Committee and the Board.

### 3.2 Remuneration

- (a) To review and recommend to the Board the remuneration packages as well as fees and allowances for Directors;
- (b) To adopt a formal and transparent procedure for developing the policy on remuneration packages for the Directors; and
- (c) To perform any other functions or duties as may be agreed to by the Committee and the Board.

In carrying out its functions and duties, the Nomination and Remuneration Committee shall in principle have full, free and unrestricted access to the Company's records, properties and personnel. The Committee may obtain the services of professional recruitment firm to source for the right candidate for directorship and the advice of external consultants on the appropriateness of remuneration packages and other employment conditions, whenever necessary.

## **4. REMUNERATION POLICY**

The Nomination and Remuneration Committee shall aim to ensure that the remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. The Committee shall judge where to position the Company relative to other companies or market statistics. The Committee shall be aware of what comparable companies are paying and shall take account of relative performance. The Committee shall also take account of the demands, complexities and performance of the Company as well as skills and experience required.

In the case of Executive Directors, the component parts of remuneration shall be structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration shall be linked to their experience, qualification and competencies, and the level of responsibilities undertaken. The determination of the remuneration package for Non-Executive Directors shall be determined by the Board, as a whole, without participation of the Directors concerned. The Director concerned shall abstain from deliberations and voting on decisions in respect of his individual remuneration package.

The remuneration package comprise a number of separate elements which include base salary, allowance, fee, bonus, retirement scheme and other non-cash benefits.

## **5. MEETINGS AND REPORTING PROCEDURES**

The Nomination and Remuneration Committee meetings are to be held as and when necessary. The quorum for each meeting shall be two (2). The Managing Director shall attend and made presentations at the meetings, whenever business is not related to Executive Directors' remuneration. All meetings shall be chaired by the Chairman of the Committee.

Notice of the proposed agenda for each meeting is distributed in a timely manner to the members of the Committee. As a reporting procedure, the secretary of the Committee shall keep the minutes of the proceedings of each meeting and circulate such minutes to the members of the Committee and also to all members of the Board for notation and action, where necessary. The Chairman of the Committee will report to the Board after each Nomination and Remuneration Committee meeting.

# SCIENTEX BERHAD

## BOARD CHARTER

### Purpose of Board Charter

This Board Charter sets out the Board's strategic intent and outlines the Board's roles and responsibilities. This would act as a source reference and primary induction literature to provide insights to prospective Board members and senior management. It would also assist the Board in the assessment of its own performance and of its individual directors.

The conduct of the Board is also governed by the Articles of Association of the Company and the Code of Ethics For Directors of the Company.

The operational matters relating to the Board such as board composition, processes and procedures for convening board meetings are governed by the Articles of Association of the Company and the prevailing relevant rules and regulations and are not reproduced here.

### Core Values of the Company

Our core values reflect who we are and what we stand for, our priorities and how we make our decisions. As we embark on our journey to create and build long term shareholder value, we embrace the following core values which act as a guiding principle in our daily operations and how we deal with our stakeholders, employees and the surrounding environment in which we operate in to create a sustainable environment for all:

- **Integrity** – Upholding high levels honesty, trustworthiness, ethical standards and professionalism in all aspects of decision making and in the discharge of our obligations.
- **Commitment to Excellence** – Committed to achieve superior results and excellence in performance.
- **Teamwork** – Working as a team with unity of purpose to achieve our corporate objectives.
- **Passion** – Developing a world class team who is passionate about what we are doing.
- **Innovation** – Leveraging on innovation, ideas and methods to constantly improve our performance and results.
- **Caring** – Caring for our employees, peoples and communities as well as the environment in which we operate in line with our “Healthy, Friendly & Happy” tagline.

### Board's Objectives

- The Board is responsible for the overall direction, supervision and control of the Scientex group of companies.
- The Board shall ensure that the Scientex group of companies strive to achieve sustainable growth whilst addressing and having regards to the diverse interests of shareholders, customers, employees, the communities and the environment in which the group operates in.

- The Board shall strive to promote and maintain high standards of corporate governance through the adoption of best practices and compliance with laws and regulations with a view to enhance stakeholders' value, increase investors' confidence, establish long term partnerships with customers and business associates to pursue the group's objectives.

### **Board's Roles and Responsibilities**

The Board assumes, amongst others, the following roles and responsibilities:

- Act in good faith and in the best interests of the group;
- Act as a fiduciary to protect the interests of the group and to advance the interests of its stakeholders and to avoid conflict of interests or misuse of position or sensitive information;
- Provides stewardship to the Management;
- Review and approve strategic and corporate business plans;
- Identify and manage principal risks affecting the group;
- Review and formalize a code of ethics/conduct for directors and employees of the group;
- Have oversight and review the adequacy and integrity of the group's internal controls system;
- Overseeing and reviewing the conduct and performance of the group;
- Ensuring compliance with relevant legal, tax and regulatory obligations and establishing Board Committees in audit, remuneration, nomination and such other committees as may be required to assist the Board in the discharge of its functions;
- Approving policies pertaining to sustainability, environmental protection, corporate governance, corporate branding, investor relations and shareholder communication programs;
- Commit the time necessary to effectively discharge his role as a Board member; and
- Review Board Charter on a periodical basis to ensure its relevance.

### **The Relationship Between Board and Management**

- Management reports to the Board and is accountable to the Board for the performance of the group.
- Management seeks approvals from the Board for the implementation of the annual plans and budgets, strategies, policies and on matters not related to the day to day operations of the group.
- Management carries out and executes the day to day operational matters to meet the budgets and key performance indexes set by the Board and such other matters as may be delegated by the Board to the Management.

### **The Board's Relationship with Shareholders**

- The Board will use its best endeavors to familiarize itself with issues of concern to Shareholders.
- The Board will regularly evaluate economic, environmental, political, social and legal issues and any other relevant external matters that may influence or affect the development of the business or the interests of Shareholders and, if thought appropriate, will take outside experts' advice on these matters.



## **Chairman and Managing Director**

The roles of Chairman and Managing Director are distinct and separate to ensure there is a balance of power and authority.

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

- Provides leadership in the Board and overseeing the Board in the effective discharge of its supervisory role;
- Ensures orderly and efficient conduct and proceedings of the Board and at general meetings;
- Facilitates effective contributions of all members of the Board during meetings; and
- Promote constructive and healthy working relationship with the Management whilst maintaining independence.

The responsibilities of the Managing Director, amongst others, are as follows:

- Responsible for the management of the day-to-day affairs of the group with such powers and authority as may be delegated by the Board from time to time;
- Acts as liaison between Management and the Board;
- Provides guidance and leads the Management in the discharge of its functions and obligations to the Board and various stakeholders;
- Ensures that the financial reporting of the group are in compliance and properly maintained with existing laws and regulations;
- Ensures that the internal control systems are put in place and effective;
- Ensures that the Management acts upon and implements all policies adopted by the Board; and
- Ensures that the Management is in compliance with all existing laws and regulations.

## **Board Procedures**

- The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders. The Board will be disciplined in carrying out its role, with the emphasis on strategic issues and policy. Directors will always act within any limitations imposed by the Board on its activities.
- Directors will use their best endeavours to attend Board meetings. Directors are expected to participate fully, and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board. Directors unable to attend a meeting will advise the Chairman at an earlier date as possible and confirm in writing to the Secretary.
- Board discussions will be open and constructive, recognizing that genuinely held differences of opinion could bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal or regulatory requirements the Board will decide the manner and timing of the publication of its decisions.
- Executive Directors attend Board meetings to discharge their Board responsibilities. At Board meetings, Board responsibilities supersede all executive responsibilities.

- The Board has sole authority over its agenda and exercises this through the Chairman. Any Director may, through the Chairman, request the addition of an item to the agenda. The Chairman in consultation with the Managing Director and the Secretary will set the agenda.
- The Board will normally hold meetings at least four times in each financial year and will hold additional meetings as the situation requires.
- Directors are entitled to have access, at all reasonable times, to all relevant company information and to Management.
- Directors are expected to strictly observe confidentiality of company information.
- In making policy, the Board will not reach specific decisions unless it has considered the more general principles upon which they are founded, and in reaching other specific decisions, the Board will consider the policies against which the decisions are made.

### **Provision of Business or Professional Services by Directors**

- Generally, Directors shall not provide business or professional services of an ongoing nature to the Company.
- Notwithstanding the general rule, the Company is at liberty to:
  - for the purpose of a special assignment, engage the services of any Director having special expertise in the particular field; or
  - engage the services of a party related to a Director's organization
 so long as the terms of engagement are competitive, are clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

### **Other Board Appointment**

- Any Director is, while holding office, at liberty to accept other Board appointments so long as the appointment is not in conflict with the Company's business and does not affect his performance as a Director of the Company.

### **Board Committees**

The Board has established the following Committees to assist in the execution of its responsibilities:-

- Audit Committee;
- Nomination and Remuneration Committee; and
- Risk Management Committee.

The functions, duties and authorities of the Committees are set out in the terms of reference of each of the Committees.

### **Access To Information and Advice**

- Management to provide Board and Board committees with timely and quality information that enables Board to effectively discharge their responsibilities and duties.

- Board members to receive copies of Board papers, minutes and proposals in a timely manner and within reasonable time for Board members to read and understand before participating in discussions and deliberations in Board meetings.
- Board members, through the Chairman of the Board is entitled to request for additional information as may be required to support informed decision making.
- Board may request for presentations on the group's operations.

### **Independent Professional Advice**

- Any Director is entitled to obtain independent professional advice relating to the affairs of the Company or to his other responsibilities as a Director.
- If a Director considers such advice is necessary he shall first discuss it with the Chairman and, having done so, shall be free to proceed.
- Subject to the prior approval of the Chairman, the cost of the advice will be reimbursed by the Company but the Directors will ensure, so far as is practicable, that the cost is reasonable.

### **Communication Policy**

- The Board shall communicate and disseminate information in a timely and effective manner in full compliance with the applicable laws and regulations.
- The Board nominates the Managing Director and key management personnel to engage and communicate effectively with the public and other stakeholders on specific matters including but not limited to financial results, press releases and other public relations exercise.
- The Board shall ensure that the Management maintains an up-to-date company website as an effective communication tool with the public.

### **Indemnities and Insurances**

- The Company shall make all reasonable effort to provide Directors with, and will pay the premiums for, indemnity and insurance cover while acting in their capacities as Directors, to the fullest extent permitted by the Act and law.

### **The Secretary**

- The appointment and removal of the Secretary shall be a matter of the Board as a whole.
- The Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.
- All Directors, particularly the Chairman, shall have access to the advice and services of the Secretary for the purposes of the Board's affairs and the business.

## **Revision and Updates**

This Board Charter would be reviewed and updated periodically as and when necessary to ensure its appropriateness to the needs of the Company from time to time and its compliance with the regulatory and legal requirements. Any intervening changes or additions would be by way of circular and memos.

This policy statement on the Board Charter is approved and adopted by the Board of Directors of Scientex Berhad effective from 20 September 2018.